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Illinois University of Culture of Commerce
and Business Administration

UNIVERSITY OF ILLINOIS BULLETIN

ISSUED WEEKLY

Vol. XI

July 27, 1914

No. 48


[Entered as second-class matter December 11, 1912, at the post office at Urbana,
Illinois, under the Act of August 24, 1912.]



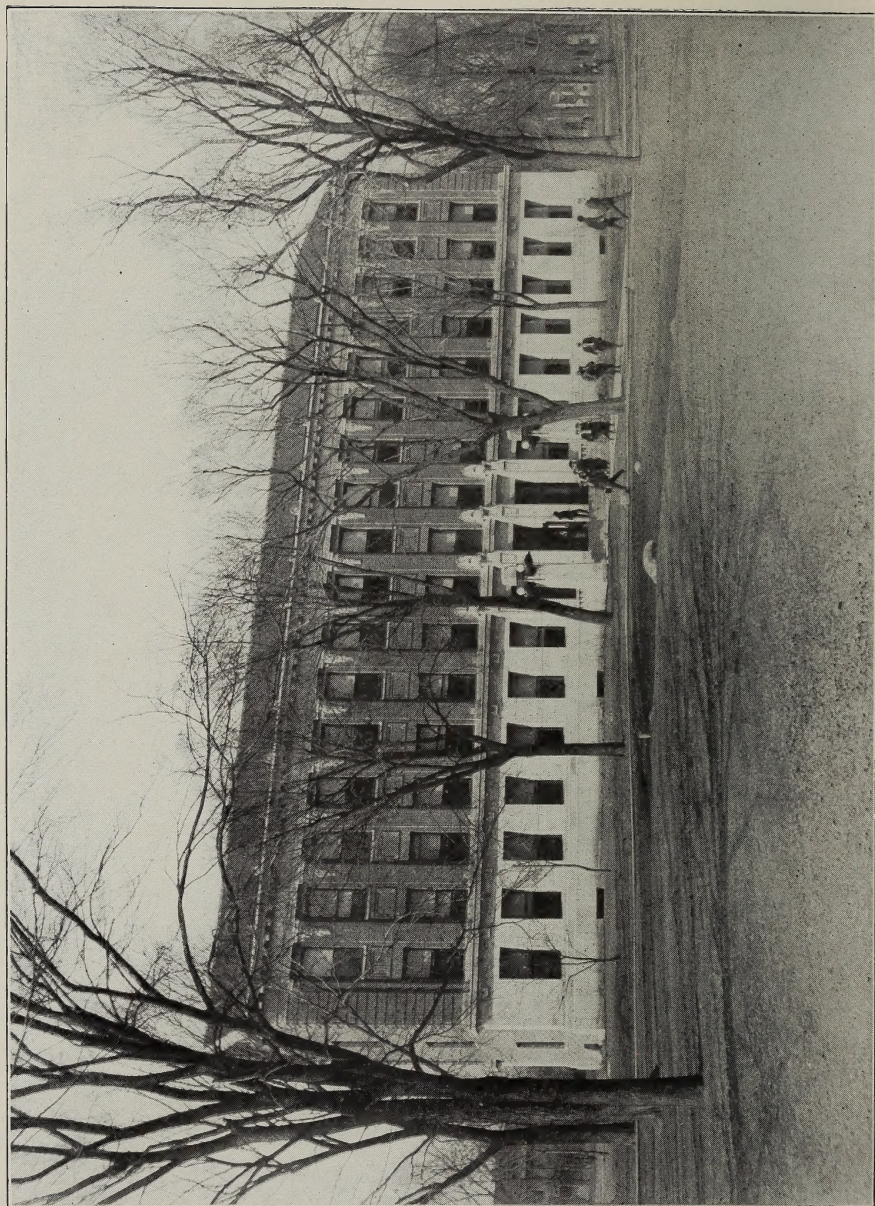
Conference on Life Insurance and its Educational Relations



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THE COMMERCE BUILDING

UNIVERSITY OF ILLINOIS

Conference on Life Insurance
and its Educational Relations

AND EXERCISES ATTENDING THE PRESENTA-
TION OF A PORTRAIT OF THE LATE
ALONZA WESTON KIMBALL TO THE
SCHOOL OF COMMERCE OF THE
UNIVERSITY OF ILLINOIS, APRIL
THIRD, NINETEEN HUNDRED
FOURTEEN

URBANA, ILLINOIS
PUBLISHED BY THE UNIVERSITY OF ILLINOIS
1914

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THE PROGRAM

MORNING SESSION, 9:30 A.M., ROOM 100 COMMERCE BUILDING

Conference: "Life Insurance and Social Welfare," Dean David Kinley, Director of Courses in Business Administration, Presiding.

1. "Life Insurance—A Great Social Service Institution," Mr. Courtenay Barber, General Agent of the Equitable Life Assurance Society of the United States, Chicago, Illinois.

2. "Proper Educational Training for Work in Life Insurance Companies," Mr. Isaac Miller Hamilton, President of the Federal Life Insurance Company, Chicago, Illinois.

Discussion.

AFTERNOON SESSION, 2:30 P.M., ROOM 100 COMMERCE BUILDING

Conference: "Life Insurance and the State," Professor Maurice H. Robinson, Presiding.

1. "State Insurance," Hon. Rufus M. Potts, Insurance Superintendent, Springfield, Illinois.

2. "State Regulation of Life Insurance," Dr. William F. Gephart, Professor of Economics, Washington University, St. Louis, Missouri.

Discussion.

3. Presentation of the Portrait of the late Alonzo Weston Kimball. Painted by his son, Mr. Alonzo Kimball, and presented by Mrs. Alonzo Weston Kimball.

Address: Mr. Henry F. Norris, Superintendent of Agencies, The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin.

Acceptance on the part of the University by President Edmund J. James.

MORNING SESSION
LIFE INSURANCE AND SOCIAL WELFARE

OPENING REMARKS

DAVID KINLEY

Director of the Courses in Business Administration

I am very glad, indeed, in the name of the University and of the School of Commerce, to welcome you on this occasion.

The subject of life insurance is one in which we have had a deep interest for many years, and in which we have tried in our small way to arouse interest among our students.

I feel very sure, speaking for myself, and I think I voice the opinion of all men in commercial education as well as men in life insurance, that neither the public, nor, indeed, the life-insurance men themselves, large as their ideas are, have yet risen to the full realization of the importance of life insurance as a factor in social welfare. It has assumed a very much greater importance in recent years. It is a matter that is looked on very differently from what it used to be by individuals who are interested in it, and yet very few realize the importance either for themselves or for the community of the establishment of that feeling of certainty for the future, for one's family, which comes from proper life insurance—proper in amount, proper in character. Therefore there is a great deal of educating yet to be done, not, indeed of men who are to go into life insurance as a business, but of men and women who are to buy life insurance. Speaking as a layman, it seems to me that the attitude of insurance men themselves has changed very materially in the past fifteen years. Certain it is that years ago the tendency of the public was to look upon the life-insurance agent very much as they at that time looked upon the book agent. The book agent has been somewhat redeemed in recent years, and I think the insurance man has walked farther up in the public estimation

than has the book agent. Not only has the importance of life insurance become greater in the minds of the public, but the attitude, character, and methods of insurance men themselves have changed. They have come to treat their calling more as a serious business for life than as something to be picked up after they have failed in pretty nearly everything else.

Years ago it was the man who could not succeed at teaching, or at preaching, or at pretty nearly anything else, who as a last resort took to soliciting life insurance. Now, many a poor teacher, and many a poor preacher, did turn out to be a good life-insurance man. I would not say a word in depreciation of the excellent qualities and high success attained by the old line of life-insurance men. Nevertheless the man who goes into a new calling after failing to succeed in something else, goes in more or less discredited in the minds of his associates.

Now the great change, in this respect that has taken place in the last ten or fifteen years, is that men have come to regard the soliciting of life insurance as a serious life-calling. As soon as any calling reaches a stage where men are to look at it in that way, it calls for a good type of men, and there is some ground for thinking that serious training in the way of preparation may be offered. We have not gone very far in education for life insurance yet. We don't know much about it. We have not reduced the courses of instruction to so systematic and thorough-going a form as we have in some of the other subjects, yet we have done something. We need more advice, more help, and less skepticism among some of our practical friends. There are many of you who yet do not believe it is possible to turn out a good life-insurance man from college, mainly because most college graduates whom you have taken on on the soliciting side of your business have turned out to have their noses too high in the air. They are not ready to sweep the floor and rise step by step. They do not have the academic humility which we try to instill in them.

This being the general situation it seemed to us that a conference on life insurance in which we should be the beneficiaries of the advice of such of the practical men as we could induce to come and talk to us, would be a very good thing to hold in connection with our courses. An opportune occasion was offered to us.

A year ago we opened this building, which is devoted to the work of the School of Commerce and Business Administration. At that time I conceived the notion of begging the portraits of sundry distinguished business men of Illinois. I did not have any particular men in mind. I carefully refrained from mentioning any individuals, but I did want to hang in our reading-room upstairs, as an inspiration to students, a good portrait of one Illinois business man, in each line of business, no longer living, who would be looked upon by his associates as a representative of their calling. And so I wrote letters to men in different callings—bankers, insurance men, and men in mercantile life—in every calling that I could think of, telling them my idea, and asking them for suggestions. The result was that the members of the Bankers' Association of the State of Illinois got interested and through their interest Mrs. Parker of Quincy, widow of the late Mr. Parker, a prominent Illinois banker, gave us her husband's portrait and had it ready at the time the building was dedicated.

At the same time some insurance men got interested, and it was suggested that a portrait of Mr. Kimball would also be very appropriate for such a purpose. Mr. Alonzo Kimball, son of Mr. Kimball, kindly consented to donate that picture. He himself has painted it, and is presenting it to the University, although, unfortunately, he could not be present. When the portrait came, it seemed a very appropriate occasion to combine the two matters, of hanging the picture and getting advice from insurance men themselves about raising life insurance from a practice or trade, if you like, to a calling or profession.

I know that some of you will not forgive me if I do not say a few words about our work here. For twelve years

now we have been offering these Courses in Commerce and Business Administration. We have sent out every year from five to ten thousand circulars, but I scarcely ever go to any of the cities of the state, without being introduced to some business man who never heard of us.

These Courses in Commerce and Business Administration were established, as I said, just twelve years ago. We offer courses of study for mercantile life, insurance, banking, accountancy, railway operation, traffic and accounting, and certain other lines. In these courses we try to do several things. In the first place we do what we can to turn out men of character. We point out to the young man early and late that unless they have some of the characteristics out of which successful business men are made, they had better go into the general course and not into the business course. If they show lack of persistence, if they show lack of honesty—and I do not mean of honesty in business dealings only, but honesty in their work, honesty in putting up proper standards, and in sincerity of purpose—if they show that their ideas are running beyond the possibilities, that they are not of the stuff that can begin at the beginning and work up gradually; in short, if they do not have the right point of view and character, we get rid of them if possible before they reach their fourth year. For a student may get through such courses, so far as passing the examinations is concerned, without being the kind of student that we want to graduate as a prospective business man.

It is for this reason that when business houses send letters or representatives here asking us to give them a list of our graduates because they are likely to need some college man in their business next year, we uniformly refuse, and reply that if they will tell us the kind of positions they want to fill we will tell them whether we have anybody we regard as adapted to those positions. If we sent a miscellaneous list they are more than likely to make misfits than we are. We are likely to make misfits because we know the positions by their description only; they know the positions but they do not know the men. No descrip-

tion that we could give of the men would do as well for them as their description of the position would do for us in enabling them to make the adaptation. We have given some offense by our refusal to furnish lists, but I believe our practice is sound.

In the next place, we try in these courses to give such mental training and such information as will bear more or less directly upon the calling that the student is going into. If with these characteristics we can get a graduate willing to begin at five dollars a week if necessary—and most of them have been beginning at five dollars a week, although many of them have gotten more than that—we feel that we have a fellow that is a good man for you to take hold of and train on the practical side. For we realize very well that there are certain things in preparation for business life not gotten in a university. We do believe that with the training we give it is very likely that a boy with the right kind of stuff in him, while he may not be of any more value to you in the first three months, will be of more value in the second three months than if he hadn't had that training, and ought to rise rapidly in the scale of usefulness to you in that time. That is all we claim and all we aim at, and with due care in the selection of our nominees I think in a considerable measure we have justified our ideas.

I have already talked too long, and therefore I will come to a conclusion by welcoming you again in the name of the University. I regret very much that President James is not here himself today. But he was obliged to go away and has disappointed us by being at least a day late in getting back.

Perhaps I ought to say a word about the program. We tried to get a two days' program in which we would talk about all forms of life insurance. We did not succeed in getting the gentlemen we wanted, or that we knew about, in the various lines, to take up certain phases of general insurance. I want to express the thanks of the staff of the School of Commerce and of the University, to

the gentlemen who kindly consented to go on our program. It is more of a help than you realize, and more of a favor than you think. Our thanks are therefore correspondingly hearty and sincere.

I take great pleasure in announcing for the first paper of the morning the topic: Life Insurance—a Great Social Service Institution, to be presented by Mr. Courtenay Barber, General Agent of the Equitable Life Assurance Society of the United States, Chicago, Illinois.

LIFE INSURANCE—A GREAT SOCIAL SERVICE INSTITUTION

COURTENAY BARBER

General Agent for the Equitable Life Assurance Society of the
United States, Chicago, Illinois

All the great problems that concern the world today are fundamentally social problems. The solution of these problems is necessary in order to insure the highest social welfare. Any agency at work in society that contributes to the solution of these problems is a social service agency, and its greatness is governed by the quality and extent of its service. It is therefore my purpose to undertake to prove that life insurance is a great social service institution.

In order that we may have a well-defined background against which to point out the relationship of this service to the welfare of society, I should like to state some of the fundamental truths which I have in mind in thinking of social welfare, and the problems that must be solved to insure it.

If every member of society was as conscious of his social relationship and all that it means, as he is of his individual existence; or may I put it another way, if every adult member of society were as conscious of his unpaid debt to society as he is conscious of the debt which he believes society owes him; then there either would be fewer problems standing between that which is and that which ought to be, or the problems would be more easily solved. It is at least safe to say, no social welfare can be insured except through the human agency that has become conscious of its obligation to society.

Anyone who is giving serious thought to any of the social problems realizes that it is quite beyond the average member to be inspired with the thought of his membership in society, as a whole, and his responsibility thereto, to

the point of being influenced in his acts in favor of his social obligations. But if you take the same member in his relationship to the unit group in society, his family, then it is possible to inspire him as a social being to the point of influencing his acts in favor of his obligation to society. And as family groups comprise practically the whole of society, we will consider that the normal relationship of the individual to society. Therefore a very high degree of social welfare would be insured if *every* adult member of society were conscious of his obligation to his family group and took advantage of every practicable means to fulfill that responsibility; we would find society under such a condition, so strong in character, that all would be co-operating for the common good, which would result in a fair distribution of opportunity and insure the satisfying of the needs of each family group through the responsible head of the family.

My conception of social welfare is just this: the satisfying of the needs of each family group in society, through a means that will result in the highest human development of each individual unit.

In our present state of civilization economic laws govern our social conditions and most of our social problems are called economic because of the economic adjustment involved in their solution; and I believe this accounts for many of our problems remaining unsolved as it is quite impossible to solve a fundamentally social problem, if you mistake it for, or insist upon it being, an economic problem, and approach it accordingly.

This world was not brought into existence to be inhabited by human beings to effect an economic result. I believe the world was made for man and his welfare and therefore the economic side of any problem should be subservient to the social purpose.

Any economic system or law created by society to serve a social purpose must be sound and fair in order to prove useful. Many of the social problems that exist today are accounted for by the operation of unsound or unfair economic systems, such systems either being brought in-

to existence or permitted to be brought into existence by members of society lacking in social character. If this be true, then the remedy lies in the development of character in the lives of the individual units; for if society was comprised of units with a strong social character, economic laws would be used to serve the social purpose rather than to make society its slave. Therefore any agency that exists solely for a high social purpose, or to put it another way, if the result of its existence serves a high social purpose and if such an agency is built upon an economic system so impregnably sound and fair in its operation that time with all its trying tests has proved it to be capable of existing "not for a day but for all time" and each new day increasing in its usefulness to society, then it can be truly said:—"This is a Great Social Service Institution."

Character, as I am thinking of it, involves self-respect, unselfishness, and a desire to serve.

Self-respect of the highest type cannot exist under a condition of dependency upon the charity of those who are not related to the dependent one, by blood, or intimate friendship. A child of self-respecting parents is very likely to maintain its self-respect under the most adverse conditions by reason of the splendid example of the parents.

Unselfishness.—The smallest thing a man can think of as an ultimate objective is himself; but almost the biggest thing that a man can think of is himself in relation to serving the needs of others. That which magnifies this smallest of things into the biggest of things is "service." That member of society is characterless who lives for self.

A desire to serve.—This is the real test of character as we are treating it in relation to social welfare. In using the term "desire" I am thinking of it as an irresistible controlling force that insists upon expressing itself in action to the point of sacrifice. Character is paid for in service. It must be so earned.

If the world was made for man and if he will some day be held accountable for the use that he has made of it, then the greatest discovery a man can make is that the

world is his, in order that he may reach the highest point of usefulness, which is, "the attainment of character." He who lives in this world and never makes this discovery will never become an asset to society. He will not exist when society takes stock.

One of the first things a man becomes conscious of, upon making this discovery, is that he is not the sole inhabitant of this universe; but that he is living in a world of men all created in the same image and for the same purpose, that he is a social being, intimately related to the whole in which each unit is dependent upon the other, and that underlying this relationship lies hidden the secret that each must discover and appropriate as the motive power of his life, if he would arrive at the end a successful man.

Browning expressed this perfectly when he wrote:

For I a man with men am linked
And not a brick with bricks; no gain
That I experience must remain
Unshared: but should my best endeavor
To share it, fail—subsisteth ever
God's care above, and I exult
That God by God's own way occult
May—both I will believe—bring back
All wanderers to a single track.

What is that secret that so many have discovered but that so many more have yet to discover to the point of being inspired and controlled by it? Service!

Can you think of a problem that is today perplexing any community, state, or nation, that would not cease to perplex if the lives of those responsible for solving it were controlled by this great regenerating purpose—service!

How does a life inspired and controlled by this irresistible power differ from a life not so inspired?

He realizes that the objective of life is character.

He is conscious of what he owes to life for the privilege of living.

He is capable of making an accurate appraisalment of the value of life.

He understands and appreciates any economic plan that relates to the attainment of the social purpose.

He has the inspiration of a great desire to attain.

A strong conviction as to why he is here and whither he is going, and a courage that enables him to make a supreme effort to arrive.

He becomes a constructive force in society in its progress toward social welfare.

He is a builder of character, and a living example to all who know him, and therefore an inspiration to others to discover that secret which has placed him on the high, straight road to success. A life not so inspired knows little or nothing of these fundamental principles.

The most valuable creation in the universe is a moral human being. This value is regulated wholly by the degree of character attained, because character governs service, and society appraises value wholly on the basis of service. Society in determining an appraisal of one of its human units must remember further that time places a limitation upon that service and although society is permitted to know the average duration of human life, the divine law governing the individual life has not yet been revealed to man.

The man who has discovered himself can at least understand the wisdom of this divine law in that by reason of not knowing the tenure of his lease on life he is conscious of his dependence upon others and their dependence upon him to co-operate for the common good. Co-operation must therefore be the means whereby social welfare is to be attained, and any agency at work in society for social welfare that has a perfect co-operative system may have a value to society far beyond the results which it accomplished, in that the principle of co-operation may be useful to society in the solution of other problems.

Let us imagine society as a unit organized for the promotion of social welfare and using the economic laws that now accomplish such welfare results as can only be secured through economic means, not overlooking such valuable by-products as would be produced in carrying out

its purpose. Society so organized would recognize that the humanized force, to be employed in effecting this high purpose and which must be grafted into the lives of every adult member of society, is service.

Social welfare depends absolutely upon the needs of society being served rather than exploited.

The next fundamental truth to be recognized, before adopting a system, is that time governs the period of usefulness of each individual life and although the sum total of years of a given number of lives can guarantee to serve society may be determined with accuracy, it is quite impossible to determine the tenure of the lease an individual may have on life, therefore a co-operative system must be employed that will eliminate the uncertainty of the result attainable by the individual. It must be further recognized that the system must definitely effect the interest of that part of society to which the individual is most intimately related—"his family."

What is the fundamental need for service on the part of each family group that has a producer capable of providing for the dependent members of the group so that the children may grow up to be independent useful members of society and assume a like responsibility to another group in the next generation; and the wife may be enabled to fulfill her large responsibility without the added care of producing; and the aged parents may participate during their declining years in the investment made for the benefit of the producer during his period of dependency? There is only one fundamental need, and that is a guaranty that he, the producer, will be permitted to live a sufficient period of time to fulfill his responsibility. As this would require a divine guaranty, we must find a substitute. That substitute would be for society to guarantee to assume the responsibility to the family involuntarily laid down by the producer, the responsibility assumed by society to be governed by the extent to which the producer was able and inclined to participate in the co-operative system that guaranteed a like service to the other members of society. In other words the system to be economi-

cally sound and fair must be equitable in its operation, giving the same standard value in service to each participating member.

I have asked you to imagine society as an organized unit existing for the purpose of promoting social welfare using our economic laws as a means to insure the family group against a complete interruption of a plan which if not interrupted would have insured a social-welfare result. If this were a real rather than an imaginary condition social welfare would soon be realized. We are, however, not dealing with an imaginary condition, but a very real one. Society is not organized as a unit for the promotion of social welfare, but it has chartered an institution to fulfill a part of this responsibility.

Let us take a look at this social service institution and see whether or not it is measuring up to this high responsibility placed upon it by society. I will not bore you with statistics as evidence of the extent of the services rendered by the institution of life insurance effecting, as it does, the lives of millions of members of society, and regulating the distribution of billions of dollars at the time and under conditions when a proper distribution is essential to social welfare. I will, however, challenge any man to point to any institution chartered by society that has already rendered, and which has the ability to continue to render a more far-reaching service to society in promoting social welfare. May I state briefly its basis of operation. It gives the individual unit in society the opportunity of co-operating with other units, thereby giving to each the benefit of an average which enables a unit on an absolutely sound, fair, scientific basis to capitalize the future which does not as yet, and may never, belong to him; but which he needs to fulfill his responsibility to society; and have the result absolutely guaranteed.

This institution found at its inception, and still finds, a condition in society that must be taken into account in the fulfillment of its responsibility. About one hundred per cent of the individual units comprising society have yet to reach that high state of development whereby they

can be depended upon to solve this great problem of fulfilling their responsibility to the family group through an economic system perfectly organized to serve this purpose, without the helpful influence of a trained human agency inspired with the purpose for which the institution exists. Therefore this institution has only been able to serve society in such a large measure in the past and it will only continue to serve in the future because of its highly developed aggressive human organization inspired with an irresistible power—"a desire to serve a great need."

When you think of it this is a tremendous service—this awakening of the individual to a consciousness of the need of those dependent upon him and creating a desire in him to serve them and then providing the means whereby the need may be satisfied through the service of the institution.

Does it require the exercise of your imagination to see the effect of this service upon the individual, who is awakened to the point of acting, in so far as it contributes to the ultimate objective—"the building of character."

It makes him think of the objective of life.

It helps him to realize his real value to others.

It enables him to understand how an economic law can be used by an individual to effect a social purpose.

He realizes in no uncertain way how co-operation with others will effect a purpose that otherwise would be impossible of accomplishment.

He feels a sense of satisfaction in being part of an efficient social service institution.

He has increased his self-respect, which always comes through the fulfillment of responsibility.

He is conscious of having been relieved of a burden that he would sooner or later have fallen under.

He knows that he is somewhat nearer the goal of real success in life.

He has become a more efficient member of society. The by-product of the service is "character."

Can you think of any other institution chartered by society that is aggressively at work throughout the length

and breadth of this land, day by day, year in and year out, compelling the individual members of society to *think* about their social obligation? To make this nation think about a major obligation, the fulfillment of which will largely insure social welfare, is an accomplishment in itself which entitles the institution responsible for the result to be recognized as a great social service institution, but when it goes further and compels action on the part of millions of members of the nation to actually insure a social welfare result, then there is no question about its title.

Let us take a look at society through some of the social problems now receiving attention in every enlightened community and see if this great social service institution is making a contribution toward the solution of the problem.

We all know the difference between the social character of a town that boasts of its large number of saloons and the town that because of its high social purpose can't afford to license one. But do we appreciate that this enemy of social welfare is less likely to be licensed in a community where the majority of the responsible citizens are conscious of their obligation to the family groups and insuring their future welfare; than where the social obligation does not exist.

We likewise are familiar with the difference in the social standard of the community maintaining a first-class educational system to serve the social need and the community satisfied with an inferior educational system or none at all.

But are we really familiar with the causes responsible for either result? Can you imagine a consistent member of society so concerned about the future welfare of his family that he is willing to make his contribution through co-operation with others to insure the result; who would be unwilling to make a like contribution to provide the proper training to equip the same members of his group in the best possible way to become efficient members of society?

Again, it's not difficult for us to understand the effect upon a community caused by the failure of a bank in which all the savings of its citizens were deposited, or the closing of an industry that gave employment to a large percentage of the producers in a community.

The problem of protecting individuals and family groups against loss from economic failure is as yet unsolved.

But do we realize that in every community under normal conditions, every family group is liable to be shocked by the experience of losing the responsible head of the group and thereby suffer a loss, on the average, greater than could be experienced by the same group through any economic failure?

The result of this loss, however, can be safeguarded and provided for in a substantial way through the service of the institution of life insurance.

In closing, may I call your attention to another important by-product of this social service institution? The connecting link between the institution perfectly organized to serve, and society in need of the service, is an aggressive army of men and women who have chosen this service as their profession and who by reason of their belief in all that the service involves and the many problems presented for solution in rendering the service, develop a character which is of no mean value to society. Whenever you find this aggressive type you will find a useful member of society on any test you may apply. This is because it is impossible for a human being to become an active force in a great social service institution requiring of him the daily overcoming of obstacles and the solving of difficult problems in order to effect the purpose of the institution of which he is a part, without developing a broad sympathy for every social welfare agency and a desire to co-operate.

"It is character that counts" and the impact this institution is making upon the lives of our nation is such that it only yields to that divine organization: "The Christian Church" in its important relationship of service to society.

PROPER EDUCATIONAL TRAINING FOR WORK IN LIFE INSURANCE COMPANIES

ISAAC MILLER HAMILTON

President of the Federal Life Insurance Company, Chicago, Illinois

I am wondering if we comprehend fully the significance and importance of this occasion. It is significant, very significant it seems to me, that the able faculty of such a large and influential university as this, recognizing the present-day, universal need for insurance of all kinds, and being resolved to keep abreast of the times, has included *insurance* as one of the courses it offers in Business Administration and has emphasized the importance of the course by designating this as a special day for observance as "Insurance Day."

It is significant that in such strenuous times as these a pause is made on such a day as this to honor the memory of one whose life-work was insurance, the eminent man whose portrait is to be presented today and to pay tribute to his excellent, helpful insurance work for his fellowman. This portrait of the man we honor today should be an inspiration to the present and future participants in this insurance course and arouse in them a strong desire to emulate him in helping and causing others to create estates and dependable incomes through the medium of insurance for the protection of their loved ones which in no other way can be done instantly and with such simplicity and certainty.

Insurance touches intimately and sometimes almost, if not quite, controls nearly every line of human endeavor. It is a science. Though at times seemingly very complex its fundamental principles in reality are very simple. It is of a multiplicity of kinds and forms and additional ones are being devised constantly as our abilities to apply the sci-

ence become greater. Your insurance course, at least in a general way, will treat of all these, will do an immense amount of good, and doubtless will result in greatly enlarging its scope particularly when the insurance men of Illinois and nearby states come to realize its importance.

The scope of my lecture, however, is limited as indicated by the topic assigned me by Dean Kinley which is as follows: "Educational Training for Work in Life Insurance Companies." But even this phase of insurance affords food for more thought than can be expressed in the limited time at my disposal.

Work in any one of the several departments of a life-insurance company to be really successful, and I take it my topic is intended to apply to successful work, requires a high degree of character and intelligence. Without these essentials no genuine or lasting success is possible in life insurance. These essentials, plus good health, industry, sufficient determination, and proper educational training, fit one to achieve a marked degree of success in any one of the departments in a life-insurance company and to receive all the rewards and emoluments properly incident thereto. Spasmodic or temporary success seemingly is achieved occasionally in life insurance by those of indifferent character and mediocre intelligence, but it is a spurious kind of success, coming largely from improper training or no training or self-training, dishonoring him who attains it and should be shunned by all honorable men.

When we consider the enormous volume of legal reserve life insurance transacted in the United States and realize fully that in financial importance it is excelled only by the railroads, it being nearly certain to pass them by in the next decade, and that many yet living remember the enactment of the first statute in this country pertaining to legal reserve life insurance, we can understand the lack of knowledge and training of many of those heretofore engaged in the business and the errors and prejudices that arose therefrom. It is now generally conceded, I believe, that legal reserve life insurance is doing acceptably the greatest social service work known to history. In consider-

ing the development of the science and its work we should not forget the great credit due the pioneers in this work nor the difficulties under which they labored in blazing the trails which benefit us and which we today follow and enjoy. Neither should we censure them too much for utilizing all possible aids in building up and developing the work.

With the development of the science and its work has come both the determination and the opportunity to improve the work not only by discarding obsolete methods and unworthy or incompetent workers, but by devising new and improved methods, by welcoming new and helpful laws, by aiding in the dissemination of information of the science among the people generally, by encouraging the study of the science in all reputable institutions of learning wherever possible, and by attracting to its service those of the highest type of character and intelligence, specially educated and trained to apply their abilities systematically to the service of this science. This service has become a distinct profession. Its successful follower must be not only reliable and capable but his success will be proportionate to his love for his fellowman and to his enjoyment of the knowledge that his service is helping humanity.

No better educational training can be given the student of life insurance than an intimate insight into the methods and management of life-insurance companies.

Life-insurance companies as a rule are systematized into principal departments as follows: executive department, financial department, actuarial department, medical department, legal department, secretary's department, advertising department and agency department. Sometimes departments are subdivided and sometimes they are combined. The duties and responsibilities of these various departments are in a degree indicated by their names. Certain fundamentals of education and training are applicable and necessary for success in any and all of these departments. The broader and more thorough the education and training the greater will be the opportunity and success in any one of these departments, assuming like ability, habits, energy, and pleasing person-

ality. As the most important requisite for success in life insurance the student should be taught to be absolutely honest, because frequently he is dealing with those unversed in insurance and they must be able to rely upon the honesty of his statements. It should be impressed upon the student at an early stage in his educational training that he will be called upon in his contract with the public to act in an advisory capacity and that he should not at any time allow any personal interest or profit to influence him in his advice. Next in order and but slightly less in importance is accuracy. No difference how well intentioned and honest an insurance man's advice may be it may prove very expensive and harmful if not based on accurate knowledge. It may be said for life insurance, perhaps of every phase and department of it, that it is enjoyable work, even for the humblest clerk, and usually performed in a cheerful, inspiring environment and amidst pleasant surroundings. It is true they know that death comes to the patrons of life insurance but the sadness thereof is mitigated by the worker's personal knowledge of the almost numberless cases where beneficiaries are relieved and their future safeguarded by the provisions of life insurance left by their loving protectors.

Students, even those having ambition to be only clerks in life-insurance companies, should be impressed with the necessity for accuracy in their work. Inaccuracy cannot properly be tolerated in any department of life-insurance work, even the least important. Students should be taught that there probably is no line of human effort so circumscribed and supervised by law as life insurance. They should be made to understand fully the legal right of the various states, as to any life-insurance company doing business therein; at any time to send their representatives to the states wherein any such company may be domiciled; to examine at the company's expense and in detail, all of the company's transactions of every kind and character and no difference how unimportant, with the view of ascertaining and reporting the company's methods, financial condition, investments, etc. Considered from this view-

point, the work of the most minor clerk sometimes is of great importance and so each student preparing for life-insurance work should be imbued with a determination to be accurate.

The student should be taught the relative importance of work in the various departments of life-insurance companies. He should be encouraged to develop an ambition for service in some particular department and then aided by special instruction to fit himself for that service.

Naturally the executive department decides all questions of company policy and has general supervision and direction of the work of all other departments. The student should be taught that to fit himself for service in the executive department he should be temperate in thought, manner and method, considerate of the company's patrons and their beneficiaries, of his associates and the company's representatives and their interests. He should be taught the vision to conceive, the courage to decide, and the capacity to construct.

The student aspiring to serve the financial department should be taught the intricacies of interest and discount, present worth of investments, and above all else the necessity of a life-insurance company making all its investments in exact accordance with the statutes of the company's home state so as to be absolutely safe at all times, even though the interest return be correspondingly low. It is not the province of a life-insurance company to speculate with the funds of its policyholders intrusted to its care. It is its duty to conserve them and invest them so as to yield a reasonable but certain return. Taxes should be kept paid and never permitted by sales or otherwise to deprive the company of its legitimate security.

The actuarial and medical departments in some respects are closely allied. Each now has the benefit of well-established mortality tables, of reports of investigations as to the hazards of occupation, of the experience of companies as to overweights, underweights, family history, environment, and insurable interest. It is the province of the actuarial department, after being advised by the execu-

tive department as to the rate of compound interest it is willing to undertake to earn annually on the company's reserve funds and without loss of principal, to determine the premium rate the company must charge those of stated ages and of a certain expectation of life according to the mortality table under which the company is operating for policy contracts of a given form, so as to pay them at maturity and leave sufficient margin to defray the company's operation expenses. It is for the medical department to select the lives for insurance which measure up to the company's standard and to decline those which do not. The medical and actuarial departments conjointly usually determine upon those risks which vary from the company's standard and which yet sometimes may be safely insured at an increase of premium rate or on a different form of policy from those applied for, because now-a-days it is recognized that a life-insurance company should extend its protecting beneficence to all applicants it possibly can insure without jeopardizing the safety of its policyholders.

Very early the student of life insurance should be taught the fact that in a life-insurance company the *policy-holders are the company*: that the company is in effect but a trustee chosen to collect and distribute certain funds and their accumulations as directed by the terms of its policy contracts, it being allowed an agreed gross sum for its services out of which it must defray all costs of operation, including the compensation of its employees, general and specific taxes; that an unjust or unnecessary tax upon a life-insurance company is in fact a tax upon the policyholder, rather than on the company; that the company being invisible, intangible and without the self-defensive voting franchise, some legislators are fond of burdening it with excessive taxes, but that in the final analysis these taxes must be paid by the policyholder; that if taxes were less burdensome, premiums soon would be reduced or greater benefits would be added to the policies. As an impressive object lesson call his attention to the fact that last year insurance companies paid in taxes to insurance departments of the various states approximately fifteen mil-

lion dollars more than the total cost of conducting all of these insurance departments. Surely this is a vast, unnecessary and unjust exaction to make of the frugal and loving policyholders who oftentimes deny themselves in order that they may secure the future of their dependent ones and keep the widow, the orphan, or the indigent relative, or aged parent, free from the stigma and unhappiness of being a charge upon the charity of the county or state, thus saving the counties and states vast sums which otherwise it would be necessary to expend for the maintenance of additional charitable institutions.

The medical department usually selects the company's local examiners, passes upon the reports of examinations of applicants made by local examiners, and arranges for independent reports or inspections as to the habits and associations of applicants and their ability to pay the premiums called for by their applications. It is the duty of a life-insurance company to endeavor to prevent over-insurance with its frequent tendency to suicide or homicide just as it is its duty to try to persuade all insurable persons to protect their dependents by such a proper amount of insurance as they are able to carry.

The secretary's department has charge of the principal clerical work of the company: the employment of clerks, keeping the records and accounts of the company pertaining to its policy contracts, attending to the general correspondence with policyholders, being the custodian of the company's seal, keeping the records of meetings of the board of directors or trustees and of committees, making the necessary reports to insurance departments and in general looking after the routine business of the company not specifically assigned to some other department.

The legal department keeps advised of the laws and proposed laws in the states in which the company transacts business and advises the other departments of the company as to the correct methods to pursue to comply with the laws. It looks after the company's rights in litigation and tries to protect it and its honest policyholders against fraudulent claims. In co-operation with the secretary's

department, the actuarial department, the agency department, and the executive department, it helps in formulating policy contracts that comply with the law and assure the policyholder the protection which he desires.

The advertising department endeavors to acquaint the public as inexpensively as possible with the attractiveness of the company's policy contracts and the excellence of its service to its patrons. It sets forth as best it may its opportunities for capable and reliable agents and seeks to attract them to the company's service.

Last but not least is the agency department of the company which is second in importance only to the executive department. Upon the efficiency of the agency department depends the number of salesmen it will secure, their ability and reliability, the company's ability to retain and properly direct them, the number of policyholders the company will serve, and the amount of good it can do because it can render service only to its policyholders and their beneficiaries or assignees.

In my judgment this University, located in the great state of Illinois, possessing the confidence and financial support of the state and encouraged by the able and sane laws of the state pertaining to life insurance, is in a position to make itself the peer if not the superior of any other university for the proper education and training of students for work in life-insurance companies. The life-insurance laws of Illinois set a very high standard for other states. Its laws are safe and explicit without being burdensome. They recognize the beneficence and importance of life insurance and do not seem to be designed to place unjust burdens upon policyholders. The Illinois standard of legal reserves is admitted universally to be safe and sound and is approximately as high as the statutory requirement of any other state; Illinois was one of the first states, if not the first, to pass a law requiring certain standard provisions to be in every legal reserve policy, issued in Illinois, and prohibiting certain standard prohibitions, whether the policy be issued by a company of Illinois or of any other state. These laws of Illinois have since been freely copied by other

states as their fairness and desirability became known. The Illinois laws provide for an insurance superintendent whose duty it is to enforce the provisions of the insurance laws and it is gratifying to note that, regardless of political party supremacy, it seems now the well-settled policy of the state that the insurance superintendent must be a man of integrity, and proved insurance ability. The laws of Illinois place no excessive burden of taxation on life-insurance companies, either domestic or foreign, unless the laws of some other state place excessive taxation on Illinois companies operating therein, in which case the Illinois reciprocal law requires the foreign company to pay in this state a tax equal to the tax which would be required of the Illinois company if operating therein. In such a favorable atmosphere it is but natural that your insurance course should be popular and should thrive and prosper. As life-insurance laws should be taught in a life-insurance course, it seems to me that to have such sane state statutes to study will be a great advantage to you because when you have grasped them you will be better able to comprehend the inconsistencies of those laws which are unfair or ill advised.

An insurance course might well contain special instructions on medical examinations and inspections because these are of great importance to all in any manner identified with legal reserve life insurance—the applicant, the policyholder, the agent, and the company. This instruction could be made very interesting and just about as important as desired.

It may not be amiss to suggest the advisability of instructing the student as to the almost uniform honesty of the managements of life-insurance companies. Seldom indeed, as compared to almost any other positions of responsibility and trust, have the custodians of life-insurance companies proved recreant to their trusts. The standard for officials of life-insurance companies, always heretofore high, is becoming even higher, as the great social service being performed for humanity by the life-insurance companies is becoming more fully realized by the public generally, so the student of life insurance aspiring to future

prominence and honor in the life-insurance field must determine to deserve it or he is doomed to disappointment.

In closing it seems proper to suggest that the students be taught that the greatest opportunities for conspicuous success in life insurance are in the agency department. Strange as it may seem it is nevertheless true that men must be persuaded to make provision for their loved ones or for their business interests through life insurance. Often they need but one interview with a sincere and educated salesman to admit and do their duty; they will not act alone or on their own initiative. Talented salesmen are necessary to the sale of life insurance in any considerable volume. No other talent, except perchance occasionally that of a superior executive, is so generously recognized and liberally rewarded as that of salesmanship. When coupled to the talent to sell life insurance is that of attracting and training and holding and directing other salesmen of life insurance, the honors and awards are very great and the satisfaction of knowing of the immense service being done for humanity under his direction must make the possessor of this talent glad in the joy of living and doing. In no other field in my judgment is the opportunity for the properly educated man, even though without money, position, or influence, so great, nor the emoluments so certain and magnificent as in the selling of life insurance. To the honorable, high-class, efficient and properly educated salesman of life insurance the most sacred doors of opportunity of all life-insurance companies, wherever located, swing inward, with an unquestioned and hearty welcome.

DISCUSSION

PROFESSOR MAURICE H. ROBINSON, University of Illinois:

I am going to set you a good example by starting the discussion at once. This I do partly because I am deeply interested in insurance as a subject of university education and partly because I have been profoundly impressed with the brilliant analysis, by Mr. Courtenay Barber, of insurance as a great social service institution. If any of us has had any doubts in regard to the importance of insurance in the social economy of present-day society I am sure his doubts have been dispelled by the first speaker. Those of us who have believed in life insurance as a social service institution, have had our belief confirmed and our ideas, often misty and half-formed, in regard to its true place in the social order transformed into a well-defined program of the militant type. Life insurance is characterized by two conditions: first, it is mutual in its nature and structure; and, second, it is carried on in a strictly business-like way without profit to those who devote their time and energy to its service. Of the truth of the first proposition there is no question, and the case needs no argument. Of the second it may be said that most life-insurance companies, being purely mutual, all profits are divided in the form of dividends, or better, all payments above the actual cost of operation are refunded and called dividends. There are some stock companies to be sure. The dividends on the stock are, however, generally limited, either by law, custom, or competitive conditions. These three forces combined are sufficiently strong and effective to prevent, in most cases, the stock life-insurance company from returning to the shareholders more than a nominal interest upon their investment.

Life insurance being a social service institution, it is the duty of those responsible for its progress to use every

honorable means to secure its future development. Those responsible for the general policy of the several companies have, therefore, a task to perform. In the past, life insurance as carried on by the old line or legal reserve corporations, has had a limited field of operations and has only begun to cultivate it intensively. If life insurance is, as we believe, a great social service institution, its sphere of influence should be extended until everyone who has an interest to guard is amply protected. At the present time only a fraction of those who need life insurance are protected, and, moreover, those who need insurance most cannot, as a general rule, obtain a policy at any price. The fact is that a man in the prime of life, in good health and vigor, can get life insurance practically at cost. But if he delays until he is attacked by some disease, or if he is not blessed with a fairly good family history, or if he has some disease that has been with him from childhood, there is small provision at the present time to take care of him. Of course anyone that has a tendency towards some particular form of disease is the one who is most likely to suffer and whose friends and relatives are most likely to be thrown upon charity. The life-insurance companies in the last few years have been doing excellent work in preparation for this new order of things that is coming in the course of time. Rapid progress has already been made in the study of the mortality conditions in selected classes with tendencies towards certain diseases, or in the beginning of certain diseases with the idea of establishing mortality tables that will enable insurance companies to give a rate for any individual that may apply. Of course it will be some time before the complete tables will be worked out for all classes of substandard risks, as it was before we had any scientific basis for insurance at all.

I am looking forward to the time when every life-insurance company of sufficient size to bear the burden, will offer insurance not only to the well man but, what is very much more needed, to the ill man. Of course the rates will be higher, but the need is greater. When that time comes, life insurance indeed will be the greatest social

institution that we have ever seen, the greatest social service institution possible to conceive. At the present time we are expanding rapidly in various lines of insurance, especially health and accident insurance. In the progress of time, as we work out the scientific data on which proper rates can be based, we shall have insurance companies that will provide against all of the various ills to which human nature is heir.

What is the function of the life-insurance agent in rendering social service to the community? In the first place, it seems to me that the agent ought to believe so thoroughly in life insurance as a social institution that he will make himself a public nuisance, or a public advisor, until everyone that is insurable carries all the protection that he can profitably bear.

In the next place, and in this contention I am not so sure the agents will agree with me, every agent is responsible for the judgment he uses in advising his clients as to the kind of insurance that each should carry. Most life-insurance agents in my experience will write me up for any kind of policy that I propose without even suggesting that some other form might suit my needs better. That is not right. I think you ought, out of your larger knowledge and experience, say to me "You ought to have a particular kind of insurance policy. That would be best for you." Of course it may be said that you wish to give me that particular variety of policy that is most profitable to yourself. However, if the life-insurance agent is really interested in life insurance as a social institution he is going to have a higher motive than that in mind and the candidates for insurance soon learn to distinguish between the two varieties of insurance agents. We soon learn to distinguish between life-insurance agents who are interested in life insurance as a profession and those who are interested in it as a living. If you, the agents, will give the community proper advice so that men may come to you as they go to the better class of lawyers, and say, "What shall I do in this case?" or to the engineer, and say, "What advice can you give me in regard to this particular project?" then the life-insur-

ance agent will take the place in the community that he ought to take and each of you will be rendering a much greater social service than is the case at the present time.

The average man is so ignorant, not only in regard to life-insurance companies, but also as to the scientific principles upon which policies are based that he cannot choose wisely for himself without advice. You are acquainted with the scientific principles of life insurance; you are familiar with the different kinds of policies; you know the various types of men, and it ought to be your particular province to give the community, not only insurance, but also expert advice as to the proper kind of insurance appropriate for each person to carry. Progress in this respect is being made rapidly. There are now a great many life-insurance agents who owe their success in the profession to the fact that they have become experts and advisors to a selected clientele who go to these agents because they find they can get the kind of advice they need in regard to the proper kind of insurance to carry.

The fact that life insurance is a social service institution leads to the conclusion, first, that it needs supervision, and it needs rational supervision and not irrational. We have some irrational supervision. We need a great deal of rational. But irrational supervision is not the only obstacle that insurance as a social service has to overcome. Many states have, I think, exceeded the bounds of reason in taxing life insurance. Of course all the insurance men agree with me in that. I am speaking now, not to the insurance men, but to the rest of the audience. Not only are insurance taxes unnecessarily burdensome but they are rapidly increasing and it is only a question of a few years when the present policy in taxation, if continued, will result in seriously crippling one of our most valuable institutions. Life insurance is a great mutual self-help association and why should we ever tax it? Why not allow mutual self-help societies of this kind to develop without any more taxation than that which is necessary in order to pay for the necessary state supervision?

MR. JOHN M. STAHL, President of the Farmers' National Life Insurance Company, Chicago, Illinois:

Life insurance will within five years be a very important factor in the public health. Anything that prolongs human life is of benefit to a life-insurance company. Already there is an organization of life-insurance presidents to increase the public's knowledge of hygiene and sanitation. I am convinced that before five years the most progressive life-insurance companies will provide for the rather frequent examination of their policyholders by their medical examiners. Life insurance will thus become a great agency to prevent sickness. The medical examiners of a life-insurance company will then do the logical and proper work of a physician—to detect and provide for the remedying of conditions that will lead to disease or to detect and remedy disease in its earliest stages. In this way life insurance will confer one more really great benefit on its policyholders and those dependent on them.

Recently I was appointed a member of a commission of seven by the National Civic Federation to study the pure food and drug laws and their operation. At a conference of this commission held in New York City ten days ago it was developed that the greatest hurt to the public is not from adulterated foods, but from unclean and unhealthful foods—those produced under insanitary conditions or by unclean means or methods. A quite large percentage of sickness of human beings is due to certain conditions of food and its production that could rather easily be prevented and the wide-awake life-insurance companies will certainly take a very active part in this work of prevention. To do this, will be to their financial advantage and will advance the interest of their policyholders in at least two ways. That this will be the predominant motive in life-insurance companies engaging in this work will not lessen in the least the benefits from that work to the general public. The more life insurance is as it should be and as it is rapidly coming to be, the more clearly it will be seen that it bears on the public welfare in many and diverse ways.

MR. F. D. RUGG, Champaign, Illinois :

In behalf of the laymen of Champaign and Urbana, I want to express our deep appreciation to the University authorities for furnishing this helpful and profitable conference today, and also our very sincere appreciation to Mr. Barber and Mr. Hamilton for their instructive addresses and to the other speakers who will take part. I think this conference, bringing together representatives of all the insurance companies, is very delightful and very helpful. I belong to one of the fraternities on the campus, and it is our aim to encourage interfraternity spirit. The churches gathered together around the campus try to encourage the fraternity spirit. I do not know whether we will ever have one great insurance company or not, but the fraternal spirit is coming. The spirit of good fellowship is great. These meetings help to encourage that. I think it fine that we can get together and intermingle with the representatives of these other companies. We find that the other fellow is not such a bad fellow after all. He is indeed a very good fellow.

AFTERNOON SESSION

LIFE INSURANCE AND THE STATE

STATE INSURANCE

RUFUS M. POTTS

Insurance Superintendent, Springfield, Illinois

In discussing state insurance, I am by no means breaking fresh ground, but rather disking soil of unknown fertility as well as sowing unassorted seed which may produce an uncertain harvest. In focusing my lens upon this question, I find my vision stretches far beyond both my experience and my knowledge of this subject; and, while I am in no sense confessing any present doubts as to the correctness of the conclusions I have reached, yet my study of this question has by no means been sufficient to exhaust all doubt.

At the outset, I must beg your indulgence for venturing beyond the expected limits in this discussion, but this subject is interwoven with so many economic axioms that I must draw therefrom to support my conclusions. Besides, it is not my intention to handle this question with a view of presenting clinching arguments, but rather to state principles from which deductions may be made and upon which my opinions are based.

State insurance is unquestionably a progressive idea, but there is associated with it an uncertain echo. All advanced ideas are progressive; the present is merely the progress of the past, and the future but the evolution of the present. The mere fact that an idea may be progressive is not sufficient reason for its adoption but it should be carefully graded by public conditions; its acceptance must come, if at all, after mature consideration and must be based upon conservative judgment. Such consideration and judgment will be the product of public agitation. Therefore, I shall treat this subject as one ready for agitation rather than ready for adoption.

That the state-insurance idea will be advanced and resisted by powerful influence is certain, and under such conditions it is questionable whether the public vision in the immediate future will be brightened or blurred. It must be studied, discussed, and analyzed soberly and intelligently, with its eventual success problematical to say the least. Posterity alone can gauge the wisdom of those who now advocate or oppose state insurance, and of the soundness of their views.

Genuine insurance—that is, insurance without frills—is to the physical existence what genuine religion—I mean religion without frills—is to the spiritual existence; one covers the physical being, the other the psychic shadow; both serve as the drop-net that saves. Next to religion, insurance is the most indispensable possession of the human race. No human being should exist without either, and in insurance, as in religion, the insured should have the widest latitude in choosing any wholesome brand his judgment may dictate. In dealing with general lines of insurance, the state can no more legislate an insurance short-cut to protection than it can legislate a religious short-cut to salvation.

Sociological and economic conditions are so co-related and interlocked as to maintain a forced balance. From them emanate certain inherent laws which cannot be neutralized, upon which all insurance systems must be based, and around which they must resolve. Such laws become the warp and woof of the insurance fabric, and may be influenced by standardizing these conditions. Progressive legislation towards the standardizing of these conditions will automatically remedy insurance ills, but no statutory enactment can be enforced that will, through direct pressure alone, attempt to twist the inherent laws without first improving and remedying these conditions.

Insurance is now classified as a science and a branch of economics in its practical sphere and operation, it is a contract, a business, a protection, and a service. Insurance implies the equitable distribution of burdens, and to do this there must be a system and insurance organizations.

Insurance organizations spring directly from desirable investments of capital, the choosing of an occupation, and the spirit of charity, depending upon the temper and purpose of the individuals composing them. From the fact that it is now recognized that insurance upon life, health, and possessions is indispensable to individual success, as well as an economic necessity, phenomenal progress has attended the operation of all systems of insurance organizations. Many insurance systems are established and maintained by classes of individuals in order that they may have such protection as is compatible with the peculiar conditions that beget their several classes, and it is not infrequent that such insurance organizations bring greater benefits to members and provide as complete protection as that furnished by the most powerful insurance institutions of our country. In all general lines of insurance, the public need and weal demand the widest latitude in establishing insurance systems consistent with legitimacy and safety. No barrier should be erected or permitted in the insurance field that could, under any circumstances, tend to stifle competition or prevent insurance from being placed and carried in an open and unrestricted market. Every person should be given an opportunity to select his insurance at a premium within his reach, consistent with safety, and of the character that best suit his needs.

Imperfect insurance conditions result chiefly from lack of public knowledge of insurance fundamentals, and a consequent failure to appreciate its sphere and service. The elementary principles of insurance should be taught in our common schools and its intricate and technical problems in our colleges and universities. Insurance should be taught not merely as a vocation which the student may desire to follow, but as a great economic institution of which no individual can afford to be ignorant. When insurance is included in our school curriculum as is history, geography, and mathematics; then a permanent foundation will be established upon which more effective insurance and more stable insurance institutions will be constructed and may forever live.

Insurance is a subject that yields quickly to education, and as insurance education increases, so will insurance increase, and with universal insurance education will come universal insurance. As insurance increases, poverty and its consequential ills will proportionately diminish. The era of universal insurance will usher in a period of marked economic efficiency. When insurance education begins to bear fruit the enormous waste, that now keeps insurance out of the reach of those most in need of its protection and service, will be eliminated; universal insurance will be applied to life, health, and possessions, and society will accept with favor its duty of equably bearing its burdens.

Universal insurance being necessary to balance economic conditions, we next face the question of how it can best be brought about and through what medium this insurance can be most efficiently and advantageously administered. However, we must keep in mind the fact that the sovereign power of the state is invested in the masses; that the administration of all institutions, whether private or public, in which the people have a direct interest, is done by its citizens; and that the administration of insurance institutions must be in the hands of the people either as state officials or as private individuals.

Insurance is not among the usual and customary functions of a state and should not be assumed or appropriated by the state unless the public as individuals has failed to utilize or abused its privileges; or, unless there are certain economic conditions associated with classes of individuals or lines of industry, by reason of which the state must recognize and assume a special responsibility and grant relief through the administration of a system of insurance. Under such conditions, the state is fully warranted in taking over the business of insurance. Where conditions exist that bring about social ills to certain classes of individuals, or cause economic loss in particular occupations, if such ills cannot otherwise be cured and such loss otherwise prevented, it clearly becomes the duty of the state to furnish this relief by compulsory

state insurance to the exclusion of all other insurance organizations.

We are in the midst of an era of conservation and preservation of every public and private right conducive to human welfare. The conservation of our natural resources is now fully recognized as a national and state duty and an accepted policy. And yet, until recently, as a nation we closed our eyes to the greatest of all drains upon the wealth of our country, which is the loss of and injury to human life through what has been modestly termed "industrial homicide," treating as a necessary incident to industry this great waste and needless sacrifice of human beings. The most valuable property of our nation is its men, women, and children; they are our greatest asset; without them all other things are of no value, and through them all visible and tangible wealth is created and produced. Hence, state interference in preventing this national waste and the attendant economic effect is now demanded. In accident prevention, compulsory workmen's compensation laws and compulsory state workmen's compensation insurance lies the remedy for this most inexcusable and long neglected condition.

Poverty in old age and old-age benefits are social problems for state solution; unemployed and relief for the unemployed and their families present conditions demanding state consideration; welfare and burial insurance is imperative for certain classes, and this with the conditions that bring certain classes of our citizens within this necessity, is likewise a state question. Maternity insurance, common in Europe, but unknown in this country, is a subject in which the state is vitally concerned, and which it should not overlook. Firemen who sacrifice their lives to save the lives of others and prevent devastation of property are entitled to the consideration of the state, and their dependents should be provided for by the state. Pensions for school teachers is a public question, ready for decision, and manifestly within this division of insurance. Especially is this true with our sisters in that profession. The very nature of their employment results in the consecration of

their lives for human betterment and advancement; their daily life is an unuttered prayer; their work bears the impress of inspiration; their continued service is stamped with self-denial; their vocational future is periously uncertain. At an age when experience counts as an asset in other callings, an uncharitable public has decreed for them an age limit and requires the substitution of younger blood; they are then cast into a field of competitive labor without experience, disheartened and shorn of ambition. They are admittedly underpaid. Should we not appreciate the grandeur of their work and bring to their old age a beauty of peace, rather than poverty and a struggle for existence, by granting to school teachers a suitable pension after they have reached the age limit decreed by the public.

The need for relief necessitated by these conditions imposes a duty upon the part of the state to society. This relief can best be extended by a system of state insurance which may be classed not only as social but as shelter insurance. By administering such insurance the state only performs an obvious public duty. Unquestionably, the accumulation and distribution of the necessary insurance fund, to meet such needs, can be better and more safely done by the state than by private insurance institutions.

The administration of social insurance by the state is manifestly an economic and social necessity; still the actual exercise of this state function, so that the greatest possible good may be obtained without resultant harm, will challenge the tact and genius of our greatest social students. It must be so conducted as not to lead those within the scope of its relief to treat it as an eleemosynary institution; it must be administered in such a manner as not to destroy ambition, thrift, and industry; the shiftless and the idle must not anticipate protection in any event—and therefore disregard methods of economy and shun labor; it must be so administered as not to permit the young man to recklessly spend his earnings, energy and vitality in the assurance of protection to be furnished him in old age; it must be so

administered that the benefits will come as a protection deserved and not as a matter of charity.

There appearing sufficient reason why social insurance should be administered by the state, then there arises the question of determining the line of demarkation between social insurance, in which it is the duty of the state to engage, and general lines of insurance in which the state should not invade. In any event, the state should not absorb the business of insurance except in so far as public welfare demands it, and this to be determined by the necessity and extent of service required by society, and the duty of the state to serve it. While the terms "public welfare insurance" and "social welfare insurance" rather imply than define "social insurance," as I have used it, yet they aid in determining the dividing line.

There appears to be no reason why general lines of life, fire, casualty, and surety insurance, etc., should be invaded by the state, as public welfare does not seem to require it; and as such insurance can safely and properly be furnished by private insurance institutions, under careful supervision and regulation, at reasonable premium rates with efficient service, without the state assuming paternalism.

Advocates of state insurance are not uniform in their views or demands. The agitation for state insurance raises many questions, such as these:—Shall the state wholly absorb the business of insurance; or, shall it engage only in certain divisions of insurance; or, shall it enter into open competition with private insurance institutions? Again, shall state insurance be compulsory, or optional; also, shall there be no responsibility upon the state other than to administer the insurance fund; or, shall it assume financial responsibility for its policies?

In discussing this question, I shall assume that the state, if it undertakes to furnish insurance covering the general lines of life, fire, casualty, surety insurance, etc., will supply all public demands and requirements. If it does not do this, it will fall far short of its purposes in

its undertaking. An elastic system of insurance entirely adaptable to the ever changing conditions of social and economic life is imperative.

There is no granary of benefits at the beginning of state insurance. It is not like unmined ore that lies hidden away pending discovery and development. There is no magic fund merely awaiting distribution among the public. The fund which is finally to be distributed as benefits through state insurance must first be created and accumulated. It must be safely kept, wisely invested and equitably distributed. These things are inherent in all systems of insurance, whether state or private.

Compulsory state insurance, covering the general lines named, is clearly beyond the province of the state and an unwarranted encroachment upon private rights. Optional state insurance covering such lines is at a marked disadvantage in competing with the private plan as its risks must necessarily be confined within state boundaries, thus limiting its field of operation, making insecure and unserviceable existing experience tables, and creating a chaotic condition in a highly technical field of endeavor.

Competitive state insurance would require the state to adopt as efficient business-getting methods as are employed by private insurance institutions. The state would have to tender the same ingenious policies and offer the same diversified forms of protection as are now furnished by the private plan. In fact, to succeed it would have to lead in the field of competition. To do this, it must have an adequate agency force, and if no separate agency force is established, then such officers as come in direct contact with the public, as collectors, assessors, etc., would of necessity have to become duly authorized insurance representatives. No one has so far been able to devise a successful system of optional state insurance without an equal cost for acquisition of business to that of private institutions. It follows that any curtailment of necessary expense in business acquisitions is attended by a proportionate decrease in business produced, which results in a corresponding economic waste caused by loss from the uninsured. To

warrant state insurance there must be insurance ills. If state insurance is to be relied upon to correct these ills, then its operation must be broad enough to effectuate fully its purposes, but if when adopted, a restricted and imperfect operation follows, it will bring to the field of insurance new and greater ills.

One of the necessary attributes of insurance is service. The best service emanates from the ripest experience and from undisturbed business methods. Owing to the ever changing political conditions the opportunity for efficient state insurance service cannot exist, and can not favorably compare with the usual service of private institutions.

There is no justification for a state becoming an insurance experimental station, unless some existing conditions affirmatively demand it. Such conditions do not now exist, and there is nothing to forecast such conditions in the immediate future. While every benefit sought by the most hopeful advocate of state insurance, covering the general lines I have named, can be brought about in an open field of competition by private insurance institutions, yet as a word of warning to the life of companies, the substandard or rather near-standard risks must have an opportunity to obtain protection, while this protection can best be furnished by private insurance institutions, yet an opportunity must be given this class of risks to obtain insurance.

In considering this question, the danger from paternalistic assimilation of private rights of citizens by the state should not be overlooked. The ordinary functions of a state should be broadened and state activity in behalf of its people should be encouraged; however, this may be done without the state becoming ultra-paternalistic. Restriction of human endeavor and the absorption of legitimate vocational pursuits of private citizens is contrary to the fundamentals of our government. The state's activity should not extend into visionary fields or unfathomed channels in the adoption of unnecessary, burdensome, impracticable, and unwieldy projects. Arbitrary limits of the functions of a state cannot at any one time well be set, and must depend and shift with the status of society; but, un-

less there are some restrictions against its useless invasion of forms of economic life, a state is apt to become officiously paternalistic to a very marked degree.

State insurance means the death of fraternal insurance. Fraternal insurance should neither be commercialized nor killed. The spirit of the brotherhood of man has been truly exemplified through fraternal-insurance institutions throughout the country. Through the inter-relation existing among all fraternal-insurance organizations, this spirit has pervaded the masses, and its reflection is far reaching in every channel of social existence; hence, its destruction should be averted.

Fraternal insurance has always been the closest insurance to the public, and the purest method of bearing its burdens. Kindly association, visitation in sickness, sympathy in distress, brotherly help in every-day life, assistance and consolation at the grave, are benefits incident to fraternal insurance that premiums cannot buy, but which are given in addition to the full payment of benefit certificates.

Fraternal insurance societies have been the messengers that have primarily carried protection to the uninsured and taught him insurance. They have importuned him to become associated with their organizations and have brought him to a realization of his duty toward his family. In doing this, they have cultivated the insurance field and have contributed much toward educating the insuring public to a realization of the necessity of carrying insurance, and have made the pathway easy for the rapid progress of their legal reserve brother.

Recent years have brought a marked fertilization in the development of insurance institutions, and a general awakening in the arena of insurance. Many unwieldy, impracticable, and imperfect systems of insurance have been supplanted with such systems as now make the business safe, steady, and sure-footed. With the insurance business in the general lines I have named, being operated in perfect harmony with its purposes, fully astride of progress, and with its stability and permanency established, I can see

no reason for revolutionary ideas upon the insurance situation at this time. No extraordinary conditions have arisen to cause a general pronouncement against present insurance methods. There appears to be no need of insurance being fundamentally worked over; it simply needs careful and judicious supervision and regulation. With proper regulation and supervision of all insurance institutions, we will then have state insurance to all practical intents and beneficial purposes without the state assuming financial responsibility, and without the confiscation of private property.

It is true that insurance, like all other lines of industry, is invaded with shrewd and crafty criminals, continually plotting to deceive public officials and perpetrate fraud upon the insuring public, whose entire operations are destructive to the insurance business. But in Illinois the closing day upon this class of insurance pirates is fast approaching, and I predict that within one year they will have sought safer fields for their operations. On the other hand, men of the highest intelligence and purest motives have applied their genius and devoted their energies to insurance as a life vocation. They have solved its technical and intricate problems; they have scientifically compiled experience and liability tables in obedience to the inherent laws of insurance; they have standardized the business; they obey the statutes of the states and co-operate with supervising public officials in bringing to the public the greatest possible good.

No insurance institutions can be made better than the law of the state in which it is domiciled or operates, but proper state supervision will make it as good as the law that permits and controls its existence. There is a present-day duty that all supervising insurance officials of all states must not overlook that is, they should unravel the insurance laws of their respective states, work out their inconsistencies and enigmatical provisions, and present to their respective legislatures a reconstructed insurance act embodying all necessary reforms, as well as all progressive methods of protection, making the statutes of the

various states as nearly uniform as can be, consistent with the constitutions and local conditions of the several states.

With insurance being the answer to economic ills, and with the policyholders relying upon departmental supervising officials to protect their rights, then the work of the supervising official must be done with a search light. It is not sufficient to check up the annual statements filed with the departments by insurance institutions, nor to verify the correctness of the figures tendered to the departments; but a thorough and complete verification and investigation of every book, record, and document that may in any manner disclose the exact condition of each insurance institution is imperative, and must be made. If any insurance company is found lax in its business methods, operating under a system that is in defiance of the state statutes or inherent laws of insurance, then such action as may be within the legal power of the supervising officials should be taken to protect the public and bring such institution within these laws.

Careful supervision and investigation of insurance institutions will strengthen and not disturb them. The trend of the times is not toward state insurance; not strongly toward proper state insurance supervision, and regulation; not that such shall extend to the substitution of the judgment of the supervising official for that of the executives of insurance organizations, so long as such organizations comply with the statutory enactments, the inherent laws of insurance, carry out their purposes and remain solvent; but supervision should extend to that point where, when a company is licensed and its annual statement approved by the insurance department, a deaf, dumb, and blind applicant for insurance can accept its policy with the full assurance that the contract given will be honestly and faithfully fulfilled.

THE REGULATION OF INSURANCE

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That the government should interest itself in the manner in which business is conducted has become in this country a generally accepted principle. So generally is this principle accepted and so recently has this become true, that there is little reason to make an extended argument to justify governmental interference in business. Indeed there is greater need for a re-examination of the fundamental principles upon which this interference is based, and particular need for an examination of the character and results of the regulation in particular cases in order that proper limits may be placed to this activity of the government.

The regulation of business is very largely a matter of the last fifty years in the United States, and its wide application a matter of the past twenty-five years. The phenomenal results of our industrial and commercial development during the past half a century were achieved under a system of free competition with very little co-operation. The social injustices resulting in the nature of by-products from this industrial development have been so manifest, that we have become single-minded and somewhat blinded in our vision as to the need of correcting certain evils. It was but natural for a people, who believed that they had a government organized and administered by the people and responsible to the people, to call upon this government to correct every real or imagined evil. Notwithstanding our well-marked individualism, the faith of the American people in enacted law is very great. We attribute to it a potency in national, state, and local affairs which it does not have because it often has no response in the people themselves. We naively proceed to legislate

upon this or that aspect of modern business conduct and assume that all will be well because it has been so legislated. It will not be surprising, therefore, if our next advance in controlling business by legislation is a careful re-examination of the need for such laws and the actual results achieved by past legislation.

It is therefore proposed to examine the basis upon which the regulation of insurance can be justified and to offer certain criticisms of the regulation as it has been applied to life and fire insurance.

The character of insurance itself, the nature of the contract, and the method of conducting the business, makes insurance peculiarly a business which should be subject to state regulation. It is a business which must concern itself with large numbers of individuals. It demands an agreement between sellers and buyers of a valuable thing—protection or indemnity—in which the terms of the sale are frequently misunderstood. It demands the association of individuals in order to secure a thing which no one could secure for himself. It is a co-operation among many in which a general interest is present, but in which also an individual or a group of individuals may seek to benefit at the expense of the many. The contracts which are made run for long periods of time and the settlements for which they provide cannot be enforced in most cases by the original party to the contract, but must rest either upon the good faith of the other party or upon the compulsion of a third party—the state.

Since the obligations of an insurance company are chiefly in the future, errors due to ignorance or dishonesty do not immediately disclose themselves. The policyholder cannot usually withdraw from the company without loss to himself. The business of insurance, both on account of the difficulty in comprehending the principles underlying it and also on account of the complexity of its actual transaction, is such that the average policyholder cannot determine for himself the soundness of the company. Even if he should discover evils in its operation, he usually neither knows how to correct them nor how to protect him-

self. The business of insurance is almost wholly conducted with the funds of the policyholder who receives for his payments a simple promise to pay a sum at some future time.

There would therefore seem to be a good reason for the activity of the state in order that the principles of justice and equity may be preserved. The state should not only protect the weak against the unjust activity of the strong, but it should also prohibit large numbers of its citizens from doing an injury to themselves. In this last mentioned capacity, it should, for example, prohibit a group of individuals from organizing themselves into a body to do an assessment-insurance business of the old type. The state is particularly interested in compelling the carrying out of contracts and since the insurance contract involves rights and benefits beyond the lifetime of one party to the contract, it finds an important sphere of action in the insurance business. It is also inevitable when a business has to do with so many persons, as does insurance, that some of these persons will at times attempt to practice fraud on the group, and this practice the state must seek to prohibit. Although insurance is a business in which many are necessarily interested, its very character precludes the many from having any direct part in the actual conduct of the business, and it is therefore incumbent upon the state to do what it can to protect the many against the possible carelessness, ignorance, or dishonesty of some officials of the companies.

It is coming to be more clearly recognized that the state amidst the present-day complexity of commercial activities and the intricacies of modern business organization cannot depend upon publicity and competition to secure protection to its citizens. If publicity simply means informing the public of what an organization is doing, the state defaults its duty to its citizens by this negative approval of the thing done and leaves in many cases but an incomplete means of redress, and in other cases none to its citizens. While the old recipe of competition has secured some very good results in the insurance business, especially

in the liberalizing of the policy contract, yet it has failed in many other respects. Indeed, the excessive competition for business among some companies has led to the extravagant expenditure, discriminations, and other well-marked evils until we are beginning to feel the need of protection against the evils of competition rather than incentives to greater competition.

This is especially true in the case of fire insurance. No other one form of the regulation of insurance has been or is more ill-advised than that of attempting to inforce competition among the fire-insurance companies in such matters as competitive fire rating.

Since the state is responsible for the existence of corporations and since the rights granted to insurance corporations lead to the creation of trust funds, it follows that the state must see to it that these sacred obligations are met by the creature which it has called into existence—the corporation. At the time of the adoption of the Constitution and for many years later, the general principle of little government interference in industry was followed. Few evils, so far as insurance was concerned, resulted; for, little insurance was transacted until after 1835.

Whatever supervision there was of the insurance business was at first primarily for the purpose of obtaining a basis for raising revenue, and this, it may be added, is still an important reason for supervision. In licensing of companies and the prevention of fraudulent companies from operating within a state, the interest of policyholders was probably of secondary importance. In time, however, as the business grew in size and complexity, there was a growing realization that the state must take a more active part in regulating a business which affected so large a number of people. In addition, there had been organized many companies of a fraudulent character between the years 1825 and 1850 or, if not fraudulent, organizations which operated upon the unscientific plan of assessmentism. The evils which resulted from the operation of these companies were probably the most direct cause for the demand, that the business of insurance be more closely super-

vised by the state. Previous to 1855 the state had been satisfied to lay down in general laws the terms under which an insurance company could be organized and operated. No detailed reports were required to be filed and no reserves to be maintained.

Massachusetts was the first state to establish a state insurance department. This was done in 1855, and the action of Massachusetts was followed by New York in 1859, by Connecticut in 1865, by Ohio in 1867, and by Michigan in 1871. Every state in the Union now supervises the insurance business, although in some states the department is only a separate bureau under the direction of some other department of state. Where there is no separate department, the work is usually placed under the charge of the auditor, treasurer, or secretary of state.

The departments or bureaus are supported by fees and taxes collected from the insurance companies, but the amount of funds collected bears no definite relation to the cost of maintaining the department.

Although Massachusetts established her insurance department in 1855, no standards of solvency were required until 1861. No other state established such standards until after the Civil War.

Whatever may be the shortcomings of state regulation of insurance it must not be forgotten that two very positive results have accrued:

- 1) Insurance has become a sound financial and a scientifically organized business.

- 2) The regulation and the discussions resulting have been an enormous educational force for better appreciation of what insurance is and can do.

An examination of the present statutes in force in the various states on the subject of insurance discloses great variation in the laws. Some desirable uniformity has been accomplished within the past decade, but lack of uniformity is the chief characteristic of state laws affecting insurance. This condition gives no promise of change. The business is essentially interstate; that is to state, the greater percentage by far of insurance in force on the books

of the companies is composed of policies from more than one state. Yet the legislature of each state persists in treating the business as a purely state business. Most of the legislatures attempt to favor, as they imagine, home companies, notwithstanding the fact that it is usually the practice of a home company only to confine its business to the state until it gets under way as a going concern. It is true that the small local mutual companies restrict the territory of operation, but every important life and property insurance company in the United States does business in other than the state of its incorporation. This confusing, burdensome, and inequitable legislation takes various forms. It may be and is generally true in the case of the taxes levied on insurance. One state may levy one and one-half per cent on gross premium receipts collected in the state, another two per cent on the same, and still another one per cent on the net premium receipts. One state may lay down in great detail provisions regarding the formation of a company and the sale of its stock, while another state may have few provisions in its laws regarding the subject. One state may attempt "to keep money in its borders" by requiring a large percentage of the premiums received in the state to be locally invested, while another may permit the fullest liberty of investment, not only as to the principal sums collected, but also as to the kind of securities in which the sums may be invested.

The development of insurance, not only as to the increase in the numbers of policyholders of the ordinary kinds of insurance, but also as to new application of the insurance principle; that is, new kinds of insurance has been greatly hindered by this burden of confusing legislation. It has added enormously to the cost of insurance to the policyholders, and it has made adjustments to new conditions difficult. New forms of insurance have slowly arisen in the United States as compared with the European countries, but it is not due chiefly to the fact that the insurance officials have been less inventive or skillful. The wonderful accomplishments which have been secured in the old established lines of insurance gives some idea of what

might have been secured if the business had not been hampered by restrictive and confusing state legislation. As it is, voluntary insurance in America far exceeds in number of policies and volume of insurance all that of the remainder of the world.

The interpretation which the courts have placed upon the nature of the insurance contract and the character of insurance has very greatly affected the regulation of it. First, as regards the nature of the insurance contract. From the earliest decisions of the courts both in England and the United States, the insurance contract has been held to be one from which the insured could in no manner profit. The underlying assumption of this principle is that the insurance contract is either one of indemnity as in the case of property, or one for the benefit of a second party, as in life insurance.

The life-insurance contract is in strict theory a tri-lateral contract with the insurer, the insured, and the beneficiary, as the parties to the contract, the rights or benefits of the contracts being vested in the beneficiary. It is only by a recognition of such a principle that the theory of insurance can be made to work in practice, whatever modifications of the real theory are found in the present-day practice of insurance. Notwithstanding that the early and late decisions of the court uphold the theory that the insured should not benefit from the contract, another line of decisions has grown up parallel with this which is essentially opposed to it.

That is, the courts have been disposed, especially in later years, to rule that the insurance contract is unilateral. This has been shown, not only in interpreting laws, requiring a loan to be made upon the policy but also in permitting a free choice of a beneficiary, and a change almost at will of the beneficiary. This is but applying the theory which has come to be more and more adopted by the courts that insurance is but a specie of property. If the contract of insurance thus establishes a property right in the insurance and if this property resides in the insured, he is permitted to do with his property like all his other

property, as he pleases, so long as no public injury is inflicted by its use. Thus by classifying the insurance in the same category of other kinds of property, the courts have greatly aided in modifying the earlier and more correct idea of what insurance really is.

Insurance is not primarily either a saving or an investment institution. It cannot hope to compete with financial institutions, especially as these institutions become better organized and the people become more intelligent on matters of insurance and investment. Insurance is primarily a means of assuming and distributing risks in order to grant protection. Whatever of a saving or an investment feature it may have is only incidental to the main purpose.

Evidence is not wanting that there is a disposition to return to elementary principles. The present interest in the loan clause is a part of this evidence. The increasing interest in state insurance is another. The reorganization of the fraternal companies on a sound basis may prove a means of bringing insurance practice back to fundamental principles. But the laws of many states, the decisions of many courts and the practice of many companies will need to be revised if life insurance is to return to first principles and perform its primary service of granting protection to third parties, that is, make the normal life insurance contract a tri-lateral contract with vested rights in the beneficiary.

On the part of the public there is very little accurate knowledge as to the nature and purpose of fire insurance. The average person considers it in much the same light as he does any common subject of sale and purchase. He assumes that he may go into the market and purchase as much or as little as he chooses at so much per unit of measurement. He confuses it with life insurance, concerning which he has gained considerable knowledge during the last decade. He purchases as much life insurance as his saving power enables him, if he so chooses. But fire insurance has no direct relation to saving, but is always a question of indemnity for property loss. The indi-

vidual demand cannot be measured in fire insurance by the ability and desire to purchase, but must be limited by the value of property possessed, whereas in life insurance full operation of effective individual demand may be permitted, except as it is limited by physical conditions or a maximum limit of insurance which will be granted by a particular company. That is to say, an individual in normal health could purchase without injury to the business or to other people all the life insurance he desired, but the amount of fire insurance which he should be permitted to purchase is limited by the value of his property.

Second, as regards state versus federal regulation. Many insurance officials have believed that federal regulation would lead to a relief of the many conflicting regulations now experienced, and many efforts have been made to bring insurance under the regulation of the federal government. There would seem no way to secure this other than by an amendment to the Constitution which would make insurance interstate commerce. The Supreme Court has refused to so consider insurance in several cases. The following cases cover practically all kinds of insurance and show how unequivocally the Supreme Court has refused to consider insurance a specie of commerce.

In *Paul vs. Virginia*, 8 Wheaton 168, decided in 1868, Paul, who had refused to take out a license to act as an agent for a fire-insurance company of New York was arrested and fined. The Supreme Court held "that issuing a policy of insurance is not a transaction of commerce." The policies were considered simply contracts of indemnity against loss by fire, entered into between the corporations and the assured, for a consideration paid by the latter. These contracts are not articles of commerce in any proper meaning of the word. They are not subjects of trade and barter offered in the market as something having existence and value independently of the parties to them. They are not commodities to be shipped or forwarded from one state to another, and then put up for sale. They are like other personal contracts between parties which are completed by their signature and the trans-

fer of the consideration. Such contracts are not interstate transactions, though the parties may be domiciled in different states. The policies do not take effect—are not executed contracts—until delivered by the agent. They are then local transactions, and are governed by the local law. “They do not constitute a part of the commerce between the States any more than a contract for the purchase and sale of goods in Virginia by a citizen of New York, whilst in Virginia, would constitute a portion of such commerce.”

This was the pioneer case and has been referred to in every succeeding case when it was attempted to prove that insurance was commerce. In the case of *Hooper vs. California*, 155 U.S., decided in 1895, the court passed upon marine insurance saying, “The argument was that in so much as the contract involved was one for marine insurance, it was a matter of interstate commerce, and as such beyond the reach of state authority and included among the exceptions to the rule. It was replied by the court: ‘This proposition involves an erroneous conception of what constitutes interstate commerce. That the business of insurance does not generally pertain to such commerce has been settled since the case of *Paul vs. Virginia*.’ In the attempt to distinguish between policies of marine insurance and policies of fire insurance and thus take the former out of the rule of *Paul vs. Virginia*, the court answered: ‘It ignores the real distinction upon which the general rule and its exceptions are based, and which consists in the difference between interstate commerce or an instrumentality thereof on the one side and the mere incident which may attend the carrying on of such commerce on the other. And it was pointed out that if the power to regulate interstate commerce applied to all of the incidents of such commerce and to all contracts which might be made in the course of its transaction, that power would embrace the entire sphere of mercantile activity in any way connected with trade between the States; and would exclude State control over any contracts purely domestic in their nature.’ And then, sweeping away the distinction between

the different subject matters of insurance contracts, and the different events indemnified against, and declaring the principle applicable to all and determinative of the regulating power of the states over all, it was said: 'The business of insurance is not commerce. The contract of insurance is not an instrumentality of commerce.' The making of such a contract is a mere incident of commercial intercourse, and in their respect there is no difference whatever between insurance against fire and insurance against 'the perils of the sea.'"

The subject of life insurance came before the Supreme Court in the case of *Cravens vs. The New York Life Insurance Company*, 178 U.S. 389, decided in 1900. "It was urged that on account of the mutual character of the company it was the administrator of a fund collected from its policyholders in different states and countries for their benefit. And the extent of the business was displayed by a stipulation of the parties as follows: 'That during the year 1886 and prior to the issuance of the policy sued upon, the amount of policies issued by the defendant to citizens of Missouri was \$1,617,985, and the amount of insurance in force on the lives of citizens of Missouri on December 31, 1886, was \$8,886,542, and the total amount of policies issued by defendant in said year 1886 was \$85,178,294, and the total amount of policies in force December 31, 1886, issued by defendant was \$304,373,540.'"

It was also urged that modern life insurance had taken on essentially a national and international character, and that when *Paul vs. Virginia* was decided the business was, to a great extent, that is, conducted through the domestic contracts by stock companies. The great and commanding organizations of the present day had hardly begun the amazing developments which had made them the greatest associations of administrative trusts of the business world.

These contentions were earnestly made; the reply to them deliberately meditated and its extent fully appreciated. The ruling in *Paul vs. Virginia* and other cases was applied. The court repeated that "the business of insur-

ance is not commerce: the contract of insurance is not an instrumentality of commerce. The making of such contract is a mere incident of commercial intercourse, and in this respect there is no difference whatever between insurance against fire and insurance against the 'perils of the sea' and 'that against the uncertainty of man's mortality.' "

But the most pronounced decision is on the case decided in 1913, that of *The New York Life Insurance Company vs. Deer Lodge County, Montana*. In this case the plaintiff showed in detail that the business was done by the use of the mails. The New York Company had only local agents in the county, who received all their authority from the home office in New York. Money was collected and transmitted to New York. Policy applications were solicited and sent to New York for approval. Loans were negotiated from the home office. Money was transmitted to and from New York. The issues were clearly drawn. The court said: "A policy of insurance, is a personal contract, a mere indemnity, for a consideration against the happening of some contingent event, which may bring detriment to life or property, and its character is the same no matter what the event insured against, whether fire or hurricane, acts of man or acts of God, storms on land or storms on sea, death or lesser accident. The same event may involve both life and property, precipitating the obligation of the policies. Nor does the character of the contracts change by their numbers or the residence of the parties. The latter is made much of in this case. It was made much of in the *Cravens* case. The effort has been to give a special locality to the contracts and determine their applicatory law, and, indeed, to a centralization of control, to employ local agents but to limit their power and judgment. To accomplish the purpose there is necessarily a great and frequent use of the mails, and this is elaborately dwelt on by the insurance company in its pleading and argument, it being contended that this and the transmission of premiums and the amount of the policies constitute a current of commerce among the States." This use of the mails is necessary, it may be, to the centralization

of the control and supervision of the details of the business; it is not essential to its character. And we may say, in passing, that such effort has led to regulating legislation, but that it cannot determine its validity as was decided in the Cravens case.

"We have already pointed out," said the court, "that if insurance is commerce and becomes interstate commerce whenever it is between citizens of different States, then all control over it is taken from the States and the legislative regulations which this court has heretofore sustained must be declared invalid.

"The number of transactions do not give the business any other character than magnitude. If it did, the department store which deals with every article which covers or adorns the human body, or, it may be, nourishes it, would have one character while its neighbor, humble in the variety and extent of its stock, would have another. Nor, again, does the use of the mails determine anything. Certainly not, that which takes place before and after the transaction between the plaintiff and its agent in secret or in regulation of their relations. But put agents to one side and suppose the insurance company and the applicant negotiating or consuming a contract. That they may live in different States and hence use the mails for their communications does not give character to what they do. Such might be incidents of a sale of real estate (certainly nothing can be more immobile). Its transfer may be negotiated through the mails and completed by the transmission of the consideration and the instrument of transfer also through the mails.

"It is contended that the policies are subject to sale and transfer, and may be used for collateral security and other commercial purposes. This may be, but this use of them is after their creation, a use by the insured, not by the insurer. The quality that is thus ascribed to them may be ascribed to any instrument evidencing a valuable right.

"It is contended that *Paul vs. Virginia* and the cases which follow it must be limited, for it is argued, 'the facts

therein did not limit them to intrastate, nor interstate, contracts,' and that if they be not so limited the Lottery case, 188 U.S. 321, and International Text Book Company *vs.* Pigg, 217 U.S. 91, cannot stand. The basis of this contention necessarily is the insistence that the contract in Paul *vs.* Virginia and the succeeding cases were intrastate contracts while the contracts in the case at bar are interstate contracts. But this is a false characterization of the contracts. The decision of the case is that contracts of insurance are not commerce at all, neither State nor interstate. . . . It follows necessarily, therefore, that neither the Lottery case nor the Pigg case impugns the authority or the application of the cited cases. They, the Lottery case and the Pigg case, were concerned with transactions which involved the transportation of property and were not mere personal contracts. . . . Of course, transportation must eventually take place as the result of such contracts, but it does not follow that the agents were engaged in transportation."

It has been suggested that if Congress should pass a law declaring insurance to be commerce that the Supreme Court would so consider it, but this suggestion indicates an ignorance of the powers of Congress and the Supreme Court. In view of these past decisions of the Supreme Court it is well to recall the statement of this court in *McCulloch vs. Md.*, 4 Wheaton 316, when the court said "should Congress under pretext of executing its powers pass laws for accomplishment of objects not entrusted to the government it would become the painful duty of this tribunal should a case requiring such a decision come before it to say that such an act was not the law of the land."

Nor in view of the clear expression of the court is there great hope that it will so radically change its opinion notwithstanding the examples of reversals in the court's history. Mr. Justice Brewer has said in the Debs case, 158 U.S. 591, "that constitutional provisions do not change but their operations extend to new matters as the modes of business and the habits of life of the people vary

with each successive generation. So it is with the grant to the National Government with power over interstate commerce. The power is the same. But it operates today upon modes of interstate commerce unknown to the fathers and it will operate with equal force upon any new modes of such commerce which the future may develop." This might be encouraging to those who would desire federal regulation of insurance, were it not for the fact that the court has so unequivocally stated that insurance is not interstate commerce.

Then again while admitting some important gains which would be secured by federal regulation, it must none the less be recognized that some of the troublesome regulations and burdens would still exist. No other one objection to state regulation is more frequently offered than that of taxation, but it is not likely that much relief would be afforded in this particular by federal regulation. The states would still have the power to tax the companies upon the business done in the state. They could likewise lay down the terms upon which they could do a purely intrastate business. Indeed it is conceivable that a state might choose to require special reports which would differ from those of other states. They might require special provisions in the policies for policyholders in the state, and make other requirements which would be burdensome.

There can be no doubt in regard to the unfortunate and unnecessary burdens of regulation now applying to life and fire insurance in the states. So completely is insurance a matter of state regulation that this power has had some curious and excessive expressions. This result is due to two causes. First, the people and their legislators have a very inadequate understanding of the principles underlying insurance. Second, the practice of some companies, both life and fire companies, has been so unfair as to bring undeserved criticisms upon all companies. The revelations of dishonesty on the part of some companies has caused the people to demand strict laws governing all phases of the insurance business, with the result that

no business is at present so minutely regulated as insurance.

In life insurance these regulations concern themselves with the organization of companies, the sale of stock, the terms of the policies, the salaries to be paid to officials, the reserve and surplus and the investment of the funds and the taxation, annual reports, and many other subjects. But three of these regulations will be selected for discussion.

First, as to the investment of the premiums received from policyholders in the state. Several states require a large per cent of such funds to be invested in the securities of the particular state, regardless of the return on such securities. In the practical working of such a law, it may mean a reduced return on policies or a higher cost for the policyholder of the state. The effort to keep money at home or to make a market for state securities is medievalism of the worst character. The interest rate or return on these long-time investments has such a great influence on life insurance that the greatest freedom should be permitted in securing the best possible investments both from the standpoint of security and return.

Second, as to taxation. There is great variance both in the rate of taxation and that upon which it is based. The rate varies from one to three per cent, and the subject from all forms of gross to all forms of net receipts. The sums collected are usually far in excess of what is necessary to support the insurance department, thus becoming a source of revenue for the state treasury. It is a hope of many insurance officials that insurance will cease to become a subject of taxation for revenue. It is argued that the tax reflects itself in the premium charge and this is true, but not in proportion to the rate of taxation in the particular state. As taxation is now applied to insurance, the people in one state bear a part of the taxes levied in another state. The insurance tax is in theory a vicious form of taxation, since it is a tax on thrift and for a non-productive act and a sacrifice incurred for the benefit of others. It is argued that insurance is not a commercial business, that it is not a

business for profit and therefore should be exempt from taxation. Yet, as insurance has come to be conducted, it partakes in many respects of the nature of the ordinary business, and so far as it does, it cannot claim exemption from taxation.

It must not be forgotten that all taxes are in the nature of a burden and from one viewpoint a tax on thrift. Modern life insurance has been tending for the past twenty years to become so commercialized and the organizations for its conduct have become in many respects so little differentiated from financial institutions, that it is almost a hopeless undertaking to free insurance from taxation. In any case it is such an easy and certain source of revenue for the hard-pressed treasury of many states that there is no present prospect that insurance will soon be exempted from taxation.

The subject of loans on policies afford a peculiar illustration of state regulation. The practice of making direct loans on policies was begun about 1885. These loans were granted on the theory that each policyholder has a basic right in law, morals, and insurance theory to use in whatever manner he chooses the cost value of his policy which approximated its reserve value. It assumes that the reserve is divisible at any time into individual reserves, a contention which in strict insurance cannot be admitted whatever practical use is made of this method of dividends or premiums.

It also assumes that the policy is the property of the individual holder and not the beneficiary, which again, in strict insurance theory, violates a fundamental principle that no one can gain by having an insurance policy. It is difficult to remember in these later days of many forms of insurance policies and the many uses to which it is put, that insurance is simply a method of securing protection to others. If therefore an individual grants this protection to others by means of an insurance policy, the protection—the valuable thing—is not his property but belongs to the beneficiary and therefore he has no right to give away or use for himself by means of a loan what is not his prop-

erty. If again he is using insurance simply as a method of distributing and reducing personal risk, he is not by means of a loan justified in negating this purpose.

The practice of loaning on policies, begun in 1885 by some companies, soon followed by others, for this device proved an excellent selling feature in the policy. The state laws in time required the loan clause to be incorporated in policies. So rapid has been the increase in loans that in 1912 there were outstanding loans of \$587,704,733 which represents 16.03 per cent of the reserve value of the policies. It is probable that not ten per cent of the loans made are ever paid, and if this is true and assuming that all contracts in force will be carried to maturity, these loans means that the protection furnished in these outstanding policies on December 31, 1912, has been reduced \$503,312,500.

It is not remarkable, then, that in some states and among some insurance officials there is alarm and a movement starting to restrict loaning on policies. Insurance is neither banking nor a saving institution. Just to the extent that insurance departs from transacting an insurance business, to that extent it is hastening an already appeared demand to return to original principles, and if private insurance either as corporations or fraternal companies do not do this, the state will. Nothing can replace real insurance, and it is inconceivable that modern society will not use the insurance principle. But the principle may be so intermingled with banking, investment, and other financial institutions, that the insurance principle becomes secondary. Then insurance as a private business cannot demand special consideration and exemptions.

Policy loans thus have the objections that:

- 1) They reduce the insurance.

- 2) They promise serious difficulties in the practical financial administration of insurance since the demand for them causes a larger amount of cash to be kept on hand; and second, the demand for loans are greatest at times of depression in business when the receipts from

premiums are likely to be low and when the market for securities is unfavorable.

3) They deny as now practiced the fundamental principle of insurance, viz., its mutuality. The states in their regulation promise to reverse themselves on this subject of regulation.

Other examples of excessive regulation of life insurance might be discussed, as, for example, the laws of some states which forbid a foreign company from removing to a federal court any suit that is instituted in the state against it. This, in effect, is denying a right granted by the Constitution of the United States, but so complete is the state power over insurance that a state official such as superintendent of insurance has the power of excluding a company from the state or refusing to renew its license.

As appraisal of the past results and present tendencies of the regulation of life insurance presents, as is usually the case when questions of large public import are concerned, cause both of regret for mistakes made, but at the same time evidence of improvement.

That mistakes have been made and are being made in the regulation of life insurance cannot be denied. Yet the last fifty years has witnessed a phenomenal growth in insurance which is presumptive evidence that the regulations have not been as destructive as some insurance officials would seem to think. Insurance has increased not only in amount but in various forms of policies sold. There has been a gradual but continuous improvement in the character of the insurance from the standpoint of absolute security. Although we have not yet arrived at the point where impossible assessment plans are forbidden by law, yet there has been gradual improvement and the time is not far distant when all the states will forbid the organization of a company to do an insurance business on the unscientific plan of assessmentism. Only the failure of a few more assessment companies of the old type is needed to enforce the lesson.

Although the regulations have been at times burdensome, yet this itself has been a wonderful factor in edu-

cating the people in insurance, which is making the enactment of new burdensome legislation more difficult. The public is yet far from being intelligent on insurance, but there never has been such a wide-spread appreciation of the benefits which insurance alone can give.

The legislation, however burdensome in other respects, has made insurance one of the soundest financially of any business in the world. The legislation has done much to drive out of the business dishonest officials and agents. It has done much to make insurance an honored and respected business. Never before has the business had so many honest and efficient officers and agents in it. Never before has it been so easy to do business on a plane of honesty and service to the patrons without fearing the results of the dishonest competition of other companies and agents. All this is due, in part at least, to regulation of insurance by the states, whatever evils have attended this regulation. There is every indication that legislation in the future will be more in harmony with the needs of the business, for both legislators and public know more about the nature of the business.

There is little prospect of the business being regulated by the federal government, and the advisability of such regulation is very questionable.

The chief effort should be to secure greater uniformity in regulation by the states, and the working-out of provisions in the policy by which policyholders in particular states should suffer the burden of unfair regulation by the law-making body of the state.

DISCUSSION

MR. F. R. SMEDLEY, Champaign, Illinois:

Touching on the subject of legislation and insurance, if I had the power I would like to propose a statute requiring the University of Illinois, through its business course, to develop five or six life-insurance men each year. Unfortunately, there are not many students present at this meeting but to those who are here I wish to say that for the past three years in looking for agents I have watched the classes taking business courses.

I am not looking for men to assume high official positions with the company, but men who are hard workers, sincere in their efforts and willing to learn through experience a proper application of the theories they have learned in their classwork.

Life insurance cannot properly be classed as business. It is a profession and one which is rapidly gaining recognition and which is every year aiding in its own development. Most successful life-insurance men start as salesmen. The company provides the article for sale and the wide world provides the market. The man of education and whose powers of concentration have developed through study is the man who has the greatest chance for success in life insurance.

The idea that writing life insurance is easy, or that life insurance is a "graft," or that it can profitably be handled as a "side line" must be eliminated before any man can satisfy either himself, or the company for whom he works.

The Equitable Life Assurance Society of New York has a motto, "the best paid hard work in the world." Life insurance is certainly described in that sentence and any man who expects to make good without hard work had better direct his attention to other matters without further waste of time. No business or profession offers such high

reward to the educated man, who has a solid foundation of character, as life insurance and the average successful insurance man of the present time is fitted for success in any other line.

Life insurance is no longer the haven for failures and broken-down men. It is perhaps impossible to legislate into being a class of insurance men, but those students who have attended this conference and listened to the addresses given here, cannot fail to feel the sincerity of the speakers and of the representatives of the companies present.

I trust that one lasting result of this conference will be an impression upon the younger men in attendance something like this.

"It takes a real man to succeed in anything; it takes a real man to succeed in life insurance. I wonder if I am a real man."

MR. C. E. COOPER, Chicago, Illinois:

I should like to ask the insurance superintendent whether it comes within the province of insurance departments to regulate the attacks legitimate insurance receives in many quarters from men who are not licensed as insurance men. I wish to say on behalf of the Chicago men that, according to our notion, this is one of the greatest evils that confronts the legitimate insurance company and holders of policies. As has been brought out, the average buyer of life insurance is not conversant with what he holds, and is open to the arguments of men of ingenious but questionable character. We find in Chicago, and I know it is true elsewhere, that the honest holder of life insurance is attacked more than he ought to be by dishonest men, causing him to change his mind about policies he holds and resulting in serious loss. Is there any means whereby the state can prevent this and furnish protection to such a man?

MR. RUFUS M. POTTS, Insurance Superintendent of Illinois:

I have no answer to your question. I must state that there is no speedy or effective redress. Every institution that succeeds sooner or later becomes the victim of assault by every man who is jealous of its success, or by other institutions that are likewise pervaded with jealousy, and such assaults cannot be prevented. An example of this may be seen from an anonymous circular issued some two or three years ago condemning the National Life Insurance Company of Chicago, charging that this company had placed an excessive valuation on its home office-building, and severely criticising the Insurance Superintendent of Illinois for permitting this valuation to stand. The National Life Insurance Company, after the expenditure of much time and money finally located the party issuing the circular; suit was brought against him, in which suit the value of the building placed by the company was fully established, but in order to prevent the further issuance of the circular an injunction had to be obtained. I am not sure of the exact facts in relation to this matter, as I only know the story as department history. However, it shows the long route that is sometimes required for a company to defend itself against assault by insurance pirates.

The legal reserve life-insurance companies of Illinois are in good condition and are not vulnerable to attack. In fact, we have very excellent legal reserve laws in Illinois, hence it is almost impossible for a legal reserve life insurance company doing business in this state, so long as it obeys our laws, to be successfully attacked, but such companies are at times very greatly annoyed.

While I receive on an average of once a week an anonymous letter, criticising the investments of some legal reserve life insurance company, or some officer of these companies, yet the criticisms are usually without merit and are for the purpose of annoying the companies.

There appeared in the Chicago Tribune of yesterday a statement assaulting a life-insurance company that is striving hard to make amends for some errors of the past,

which I understand is attributed to an attorney who sought to obtain from this company settlements of alleged claims on old lapsed reinsured policies. While this company and all legitimate companies will survive such attacks, yet there is no way in which these attacks may be prevented.

Illinois is suffering greatly just at this time from being invaded by salesmen of fraudulent life-insurance stock; in fact, since many of the other states have passed and are enforcing their "blue sky" laws, our state has become the camping ground for salesmen of stock in proposed insurance companies. A number of persons will become associated together for the purpose of organizing a stock insurance company, they file with the insurance department a charter, which authorizes them to take stock subscriptions. If they meet with the statutory requirements, the department must grant the charter requested, but the department has no supervision over these companies until after the stock has been sold and final approval of the charter and license granted, but the fraud is perpetrated during the stock-selling period of these companies. The organizers, in many instances, do not expect to ask for a final license but simply intend to make the money in selling stock, abandoning the company when the stock is sold and keeping their per cent of sales, which, in many instances, is excessive. It is during the stock-selling period that the public needs protection as well as after the company has been organized.

I have been requiring stock salesmen to file with my department literature issued by them in relation to the sale of the stock. Sometimes this requirement is obeyed, but usually it is not; then when the organizers of the company present their final request for a license I can look over the circulars and information filed in relation to the stock and judge somewhat as to the methods used by the stock salesmen, yet, even though I find these sales reeking with fraud, there is nothing I can do, because the purchasers of the stock cannot hope to get anything if I refuse to license the company and very seldom get anything if I do license it. Relief should be granted against the sale of

fraudulent insurance stock, by all means; also against persons who constantly assault legitimate insurance institutions, but there seems to be no adequate remedy.

MR. C. A. PRICER, Mahomet, Illinois:

This all suggests to me the expression of P. T. Barnum, that is, "The American public likes to be fooled." Hence so long as the public is looking for the unusual in business lines as well as others, the crook will prosper, temporarily at least, and appear to be more successful than the representative of any honest line of business.

It seems to me that the only cure for the evil of business crooks is to educate the public in a scientific way along business lines.

This, as I understand, is one of the functions of this particular department of the University of Illinois and therefore should receive the hearty encouragement and support of the people of this state.

MR. W. J. FISCHER, St. Louis, Missouri:

It is doubtful if we as life-insurance men adequately appreciate the debt we owe to insurance supervision, especially life-insurance supervision. Practically every evil is good carried to excess and while we have had some excesses in life-insurance supervision too much emphasis cannot be placed upon the good which has flowed from it. No other class of financial institutions has approached legal reserve life insurance in stability for many years. This is conceded by all those conversant with the facts. Think of it, the last failure of a legal reserve life-insurance company was twenty-four years ago, that is in 1890, The American of Philadelphia, which was wrecked by Mr. McFarland, its president and principal stockholder, because of outside speculations.

The assumptions underlying life insurance, fixed in the early days by Elizur Wright and men of his type, are safe beyond peradventure of a doubt. However, it is doubtless to publicity that we owe most. The fact that every

individual item of assets is to be reflected to public view and is open to the review of competitors, as well as the insuring public, is a conserving force of the first importance. This publicity discloses variations from correct management at so early a stage in the process of disintegration that corrective measures are usually applied before serious damage is done.

Life-insurance supervision keeps honest men honest and prevents dishonest men from doing dishonest acts.

As a result of thirty years' experience in the field I should like to express my views, that life-insurance supervision, with all of its limitations, is one of our greatest blessings, for which we all should be grateful. The fundamental assumptions are safe, and life-insurance supervision and publicity will help us retain the record, we now hold, of having the best assets in the world back of our contracts.

PROFESSOR H. L. RIETZ, University of Illinois:

It seems to me that we can hardly over-emphasize the importance of what has been accomplished by state supervision of life insurance, but there is another element that should be more emphasized in our program for the future. I refer to the educational element. Better insurance education will probably have a far reaching effect on the nature of the supervision needed. If we examine the insurance situation in England, we find a case where sound life-insurance practice has been developed, and where other means are accomplishing to a large extent what we are doing by state regulation.

Insurance education has progressed farther in England than in our country. If we examine the Journal of the Institute of Actuaries, we shall find that the number of members is very much greater than we have in a corresponding scientific society in this country where much more insurance business is transacted. The Institute of Actuaries has been termed by its president "The Insurance University." It maintains an affiliated society known as

the Institute of Actuaries Student's Society, which has proved to be of much value. In a more popular but less scientific manner, much valuable work has been accomplished in connection with the teaching of assurance by insurance institutes. There are now thirteen such institutes in England and Wales. Further, the English universities of London, Manchester, Birmingham, and Liverpool are offering courses in insurance. All this means that there is more general knowledge of the insurance business from a scientific standpoint than we possess in our country. The salesmen of insurance in England to a larger extent than in America have the knowledge which should be their possession. I predict that we shall not need such intense state regulation in certain respects when we have a public more educated in insurance matters. That is to say, I do not in general look for the necessity of increasing state regulation. I look forward rather to the training of experts on whom the insuring public can depend for information and service, and who can adapt insurance both in kind and in amount to the particular client.

Next, I should like to speak briefly to another point suggested by two of the papers. Professor Gephart mentioned the matter of policy loans. We have seen urged recently in insurance journals the desirability of decreasing these policy loans. The reason for anxiety on this question lies in the increased lapse due to the granting of policy loans. It is difficult to convert the general public to the point of view that an insurance company does not profit by lapses, and that the remaining policyholders in general sustain a loss in the case of standard forms of policies. The social group sustains a loss that is not part of the risk that is fundamentally intended for distribution over the group in accord with the principles of insurance. The group idea in insurance was ably presented by Mr. Barber. In short, when one takes out insurance, he becomes part of a certain social group. The state has pretty fully protected the rights of the individual in legal reserve life insurance, but it seems to me we may well question

the adequacy of the consideration that has been given at times to the rights of the group. There are certain rights for the group of individuals who are co-operating to distribute risk, and I think it is the proper function of insurance experts to consider much those rights.

MR. OWEN SCOTT, Decatur, Illinois:

I wish to ask the insurance superintendent a question: Will you explain what rights creditors have in life-insurance policies when the assured is in bankruptcy?

MR. POTTS:

I must say that I am unable to give a complete answer to that question. I do not know; I have not investigated this question as an attorney, nor has it been presented to the department since my appointment. However, as a general rule, the beneficiary's rights follow the contractual relations existing between the policyholder and the company, hence such questions cannot be determined by any hard-and-fast rule, but must be determined from the contract existing between the company and the policyholder.

MR. SCOTT:

The point I had in mind was this. Different companies have different regulations concerning change of beneficiary. What provisions concerning the beneficiary would enable a court to take a life-insurance policy and use its cash equities in adjusting claims in bankruptcy?

MR. POTTS:

The courts of the various states have held differently upon this question, but in my judgment the equities of a policyholder could not be reached by claimants through bankruptcy proceedings, except possibly wherein the insurance was payable to the policyholder's estate.

MR. CHARLES SACHS, Kansas City, Missouri:

The question asked by Mr. Scott brings to mind some information obtained from a case within the zone of a recent experience or observation of my own. A firm having business houses in Chicago and Kansas City became bankrupt. The bankruptcy proceedings affected the individual members in both states. In respect to the question whether the cash surrender value of a policy payable to a beneficiary with proper insurable interest, under a contract reserving to the insured the privilege of changing the beneficiary, is exempt from the claims of creditors, the only decision by the Supreme Court of Illinois was that the cash value was payable to the creditors, while the only case which appears among the citations in Missouri showed a decision that such values were exempt. Lawyers the country over seem to agree that it would be a great thing if the point raised could come up for adjudication in the United States Supreme Court. But for the reason that in many years it has never gone that far, I do not hesitate to assure inquiring clients that probably there is no likelihood, from a practical standpoint, that the proceeds, or any part of the proceeds, of a policy taken in good faith for the benefit of a member of the family, will be attached by creditors. Reasoning that since the one general exemption of the bankruptcy act of 1898 (implied, I must admit, but apparently clear) in favor of cash values of life-insurance policies payable to beneficiaries with insurable interest, has not been successfully assailed in sixteen years during which such arguments have been rife, the danger of an unfavorable outcome in a given case may be regarded as not great. It is evident that every bankrupt who has been interested, everyone at least who has cared to fight for the theory I am expounding, has been successful, and that creditors, however avaricious, have never gone to the limit in appropriating such proceeds for themselves. However, we shall have to theorize and speculate until the matter is determined by a verdict of the highest court in the land, or eliminate every shade of doubt by denying ourselves the

right to keep policies in our own control and then to name a beneficiary absolutely, which may be done under practically every policy which also affords the privilege of change. There was a decision of interest in a New York case where the fact that the policy itself was turned over by the insured to the beneficiary, his wife, as evidence that it was intended for her individual use, was treated as *prima facie* evidence that the insured had no power to change the beneficiary without the wife's consent even though a provision of the policy in her hands said he might. Exemption was allowed without raising the larger question.



ALONZO WESTON KIMBALL.
GENERAL AGENT AT CHICAGO FOR
J. C. GILBERT & CO. 1201 DECATUR ST. CHICAGO, ILL.
JAN. 2, 1900. MAY 28, 1900.

ADDRESS: PRESENTATION OF THE PORTRAIT OF THE LATE
ALONZO WESTON KIMBALL

HENRY F. NORRIS

Superintendent of Agencies of The Northwestern Mutual Life
Insurance Company, Milwaukee, Wisconsin

The various phases of the great business of life insurance have been so thoroughly and ably discussed during the day that it hardly seems necessary at this time to touch upon them except in the most general way. The service which the institution of life insurance is rendering has been so clearly and forcefully presented by Mr. Barber that I am sure the minds of all present are impressed not only with the magnitude of the business but the importance it has attained in the economy of life in this country. When you take into account the fact that in the state of Illinois alone the old line life-insurance companies are carrying insurance amounting to more than twelve millions of dollars, the part that the business is playing in social and business life becomes apparent. During 1913 these companies paid in death losses in Illinois more than twelve millions of dollars and eventually the twelve hundred millions of dollars, as well as the many millions which are being added each year, will be paid out to the uttermost farthing. Realizing the fact that every dollar of this enormous sum will go into the hands of widows and orphans, to old men past their working years, or for the conservation of business from which the widows and orphans receive their support you will have a clearer conception of what this great business stands for and of its wonderful accomplishment. Allow your imagination to follow through to its ultimate conclusion, the payment into this state of one and a quarter billions of dollars which in time will be made by the life-insurance com-

panies on account of the policies already in force—think what it means in homes saved, in boys educated and given a start in life, in widows kept from poverty, in daughters saved from penury and want, in independence for old men who otherwise would be a charge upon friends or the community. We will get a more comprehensive idea of the far-reaching beneficence of the institution of life insurance if instead of dealing solely with aggregates so large as to be almost incomprehensible we divide this billion and a quarter of life insurance now in force in Illinois into policies of less than three thousand dollars each (for that would be the average size) and thus obtain a clearer conception of the number of lives which are touched and benefited and uplifted. This tremendous result has been accomplished by the patient, persistent, and convincing work of a force of men who, by their loyalty to the principles of the institution, by the inspiration which has come to them from a realization of the service they are able to render to the community, have been able to overcome heartbreaking prejudice and inertia, and in many cases, to almost force the applicant to do his duty by himself and his family. It is an astounding incongruity and paradox of human nature that what a man most needs for himself and family next after shelter, food and clothing he very rarely, almost never secures without being repeatedly urged and solicited. And so to do his work faithfully to himself and to the state, and his whole duty to mankind, that has come to pass which never should have come to pass; that the work of the life-insurance agent is necessarily more aggressive and persistent than that of any other vocation in the world.

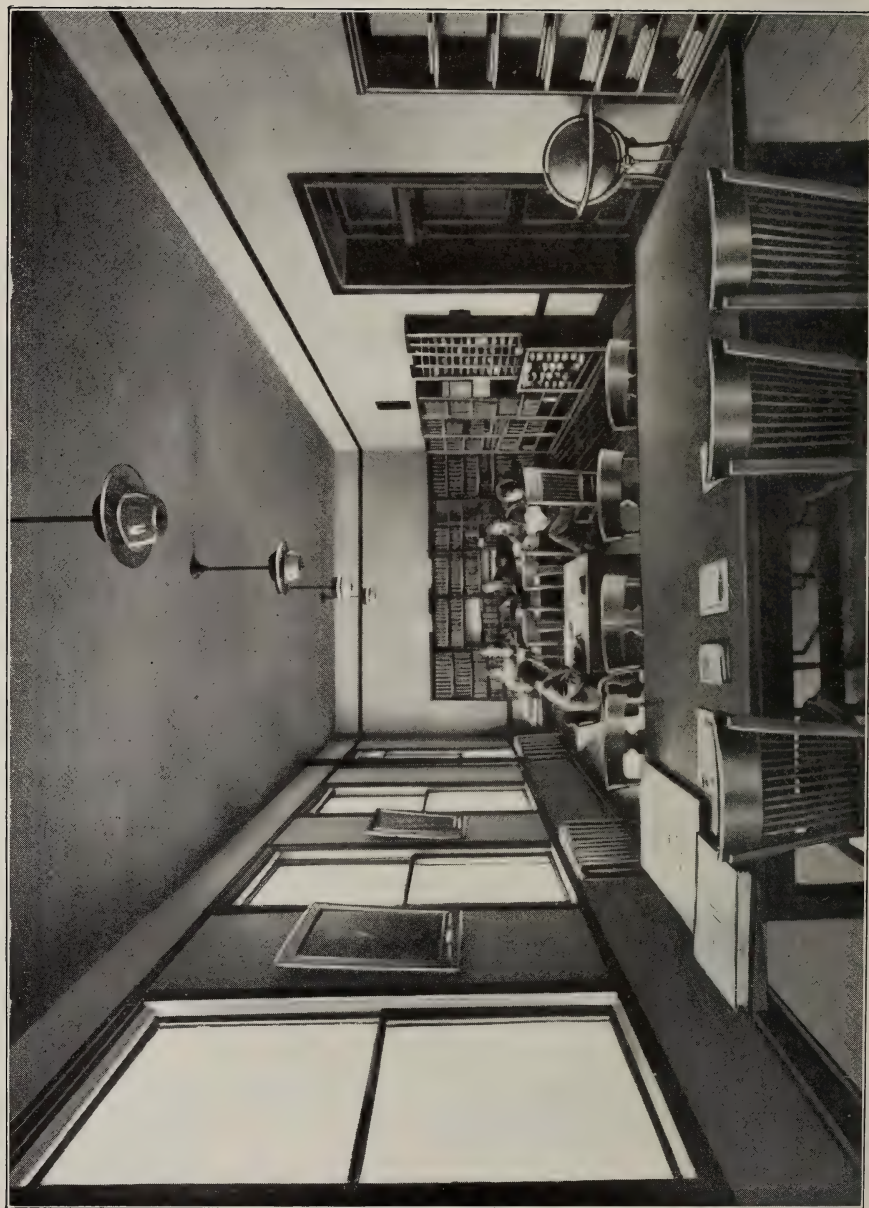
In the accomplishment of this wonderful result in Illinois perhaps no man stands out more prominently than he whose work in life insurance is recognized by the placing of his portrait in your Hall of Fame. I am very glad (if you will pardon a personal allusion), that it has fallen to me to be the medium through which this portrait is transferred to the University. For twenty years Mr. A. W. Kimball was my very close friend. For much of that

time it was my good fortune to be intimately associated with him in the work of the Home Office of The Northwestern Mutual Life Insurance Company and I came to know, appreciate and love the real Kimball as few had opportunity to do. Thus knowing him and his great ability and high character I not only feel that his memory is honored by having his portrait hung with others on the walls of this institution, but that this great University of the state of Illinois is itself honored by its presence here. Indeed, you do well, I think, to bring together here, as you are doing, the portraits of the great men of your state, men who by their attainments in professional, business, or public life have made the history of this state what it is, for in the last analysis, the history of no state or country is greater or more inspiring than the history of its citizenship. In Illinois you are especially rich in such history. The names of your great men are household words throughout the country. The history of the United States would be poor, indeed would have to be largely rewritten, if the names of Lincoln, Douglas, Trumbull, Oglesby, Logan, Cullom, and a host of others were eliminated. In business the names of Armour, McCormick, Field, Deering, Swift, and many more are known and honored in the marts of the entire world. In music and art, the finer things of life, your state is rapidly coming to occupy a foremost place. In the development of agriculture, in educational facilities, you are unsurpassed. In the portraits of the men who have by force of character and splendid executive ability made these things possible, you are furnishing to the young men and women whom it is your privilege to direct and train, an inspiration to high endeavor, to the attainment of the best possible things of life. The touch which you thus afford with the strong men of the past will be a call to better citizenship, to finer and more effective service on the part of the hundreds of young men and women who yearly leave your care and guidance, taking with them into their future lives the quickened motives, the trained intellects, the conception of life, and its responsibilities and possibilities which you have imparted. The Illinois of

the future will be largely what you gentlemen and those engaged in similar work throughout the state make it. You are molding its citizens and in a few years these young men will be the professional and business men of the state and will be carrying on its work; its fertile acres will be yielding a larger product because the young men have been taught by you better methods of conservation of the soil and of agriculture in general. The business of the great cities of the state will be in the hands of the young men who are now in the schools and universities and your influence, your teaching, and your ideals will then be bearing fruit in the wonderful development which we are certain to see in business conditions. We shall have better doctors and lawyers because of the work you are doing; we shall have finer music and higher art because of the better training—in fact, conditions of life in every department will be better just to the extent that the young men and women who are students today gain true conceptions of life and living. And so I say again that it is well that your students should have their attention directed to the men who have been pioneers in advanced thinking and in advanced work for humanity, men who have led in business, in the professions and who to such an extent have not only laid the foundations for this great inland empire, but have reared the wonderful superstructure which has already been built upon it.

Of all the men who are represented in this manner in the University I know of none more worthy of a place in this gallery than Alonzo Weston Kimball.

Mr. Kimball was born in Lee, Berkshire County, Massachusetts, March 7, 1844. His early life was spent in Green Bay, Wisconsin, where for a time he taught school, studying law in the meantime. He was a freshman at Beloit College at the outbreak of the Civil War, when he enlisted at the first call for volunteers. At the expiration of the hundred days he re-enlisted. After the close of the war Mr. Kimball was employed for a time in the Wisconsin State Land Office before he returned to Green Bay. Later he was a partner in the insurance firm



THE COMMERCE READING ROOM

of Kimball & Libbey, of Green Bay, until October 27, 1884, when he was appointed General Agent of The Northwestern Mutual Life Insurance Company for the state of Missouri. Very shortly after the company withdrew from that state when Mr. Kimball was appointed Assistant Superintendent of Agencies of the company with headquarters at the home office in Milwaukee. He served in this capacity until September 1, 1894, when he was appointed General Agent at Chicago, continuing in that position until his death, which occurred March 25, 1905. This statement of the bare facts of Mr. Kimball's life, occupation and death does scant justice to the subject. His life was larger than statistics or dates. It matters little where he was born or where he lived. It is enough that he came of pure and honorable lineage and that he lived. It is, however, of infinite importance to the great company he represented, to the greater business of which that company is a part, that he lived and for the greater part of his business life devoted himself to it.

In his friendships Mr. Kimball was true and zealous. He was endowed with superior intellectual force and rare culture. He had a high ambition, not to be lulled to sleep by dull submission to mediocrity. He lived the life of the intellect combined with the life of physical energy and so he made a name and was loved and is lamented. In all his life he never abused a trust. In public speech he was chaste and polished. As a student of the best authors and with a remarkable memory, he had the choicest literature at his command. I recall no address of his which did not sparkle with fine thoughts and epigrams. Art is the handmaid of literature and the love of both was equally combined in his nature. Beautiful pictures and statuary were his delight and his happy home was filled with such accumulation as he could afford, gathered in foreign travel. Over and above all, however, was his nobility of character, such character as someone has said "is nature in its highest form," something finer in a man than anything which he says. He gave heed as nature required to food and raiment and care of family and home; he gathered his handful

of silver, but his mental and spiritual nature was never suffered to stagnate. He dwelt in the highways of business, but he lived also in the higher kingdom of life. In his chosen profession he was much more than ordinarily successful. His keen, analytical mind, his splendid and unbounded enthusiasm for the work in which he was engaged, his belief that in it and through it he could better serve his day and generation than in any other way gave to him a force which resulted in a wide extension and large growth of the business in the territory under his charge. As one result of his work there are thousands of widows and orphans in this great state of Illinois who in the time to come will rise up and call him blessed because by his eloquence and assiduity the husband and the father was induced to make proper provision for them.

His material success, however, and the growth of the business, important as they were, do not represent his largest work. His passion for righteousness, his love for and belief in his business, and what it should be and stand for, made him zealous for its purification, betterment, and uplift. For twenty years no man in this country had a larger influence in bringing about the present high standards by which the business is judged, or the purer and cleaner methods under which it is conducted. His eloquent and ringing addresses carried conviction; his fine example was contagious. There are thousands of life-insurance agents in this country who today are doing their work along right lines and with higher motives because of the influence which he exerted. He never forgot the essential dignity and worthiness of his profession. So in this great business, which is second to none in the service it is rendering to humanity and which has become so essential to the better conditions of life in this country that its extinction or restriction would mean untold suffering and hardship, no man ever more worthily represented it, and few, if any, in its history did more to make it what it ought to be. So, I repeat, no man in all this galaxy is more worthy of a place than he whose portrait I have the honor to present.

In closing, permit me to do so in the words used by Mr. Kimball in describing another man, but words which give a better description of this good, great man Kimball than I could give in my own language:

He had his faults; but he was kind, just, patient, brave. He was manly man, and he hated a mean thing. He hit hard, but he was always fair. His blows were those of Richard the Lion-hearted, his honor that of Regulus. "His strength was as the strength of ten, because his heart was pure." He did not think truth old-fashioned. He never forgot that his father taught him to be honest and that his mother—God bless her—taught him to be courteous. He was a gentle man, and he "wore without reproach the grand old name of gentleman." Whatever he touched he honored and adorned, and wherever his hand had wrought there was no stain. His life is a light; his character an inspiration; his memory a legacy. The great profession of life insurance is purer and nobler for his having been a member of the craft, and because he lent to it the effulgence of his life.

And now, Mr. President, I will ask you to accept as a gift from Mrs. A. W. Kimball this portrait, the work of a loving and talented son, and give it a place on the walls of this University in the hope that it may in years to come be an inspiration to better and more useful living as his life and example were an inspiration to those who lived and worked with him.

ACCEPTANCE ON THE PART OF THE UNIVERSITY

DAVID KINLEY

Vice-President of the University and Director of the Courses in
Business Administration

When we printed the program we put the name of President James down as the one to receive the portrait, because I fully expected, or at any rate, had a strong hope that he would be here to do so. In his absence, it falls to my lot to represent him in accepting this portrait. In explanation, particularly for the benefit of those who were not here this morning, when I made the opening statement concerning the general purpose for which we asked these portraits, I wish to say a word about it now.

We asked these portraits as gifts from those who are especially interested in the business in which the man whose portrait we request was engaged. It is one thing for an institution to buy and hang portraits. That is a comparatively easy and uninspiring thing to do, and will answer no particularly good purpose excepting to adorn the walls of the various rooms of the institution. It is quite another thing to hang pictures donated by those who have known and loved the person whose portraits are hung.

Our friends in the College of Agriculture began some years ago to put into what they call their Hall of Fame, the portraits of men great in agricultural lines. Our purpose is slightly different from theirs. We propose to hang these pictures in the reading-room upstairs where the young men go in and out hour by hour, from day to day, because we want them to walk familiarly among the faces of the great. We want them day by day to have some reminder constantly before their eyes of the ideals that were in the minds of the men whose portraits they are looking upon. We want to go into this room with students who, for example are studying banking and insurance, or what

not, and to be able to say, "I want you to be as great an insurance man, as great a banker, as Mr. Kimball, as Mr. Parker, as Mr. ——" whoever it may be whose portrait we are pointing to.

Therefore we want the portraits of men who were representative men in their businesses; representative not merely in the matter of having achieved personal success, but of having done that far greater and more important thing, to which Mr. Norris referred in his account of Mr. Kimball, and which he described Mr. Kimball as having done, namely, made the business in which he was engaged a better business, a more serviceable business, a business with higher and stronger and better and nobler ideals than it was, because he lived and participated in it. And that I take it is the real reason for hanging a man's portrait in our room.

In other words, I place before you as the most important thing we can achieve here in trying to serve you, in training students for business life, the implanting in these young men's minds the proper ideals, and the union of the practical with the ideal.

With that in view, and in part accomplishment of that purpose, in the name of the School of Commerce and the University, I accept from Mrs. Kimball and her son Alonzo Kimball, through the agency of Mr. Norris, with the beautiful words of tribute that he has spoken, this handsome picture of Mr. Alonzo Weston Kimball.

